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SMALL BUSINESS ADMINISTRATION'S COMPUTER SYSTEMS

HEARING

BEFORE THE

SUBCOMMITTEE ON GENERAL OVERSIGHT AND THE ECONOMY

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

SECOND SESSION

WASHINGTON, DC, JUNE 27, 1984

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SMALL BUSINESS ADMINISTRATION'S COMPUTER SYSTEMS

WEDNESDAY, JUNE 27, 1984

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GENERAL OVERSIGHT AND THE ECONOMY,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 2359, Rayburn House Office Building, Hon. Berkley Bedell (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN BEDELL

Mr. BEDELL. Good morning.

We have a practice in our subcommittee of swearing all our witnesses. Will you please stand.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth?

Mr. SANDERS. I do.

Mr. SWOPE. I do.

Mr. YOUNG. I do.

Mr. BEDELL. Today the Oversight Subcommittee continues its investigation of the operation and management of the Small Business Administration's computer systems. Earlier this year, the subcommittee reviewed the SBA's procurement automated source system.

I have to be honest, we discovered problems in the PASS program that some of us found hard to believe. The facts about SBA's mismanagement and general bureaucratic ineptitude with PASS led the House to approve an amendment to SBA's authorization bill greatly restricting SBA's ability to press ahead with a redesign of PASS before they give the Congress an opportunity to review their plans.

SBA's poor performance with PASS led me to request that the General Accounting Office undertake a review of all of SBA's computer-based systems. The GAO is just in the preliminary stages of their audit. The final report will not be ready until the end of the year.

However, reports from sources who are familiar with SBA's computer programs have uncovered serious concerns that necessitate this hearing.

First and foremost on the minds of many of the subcommittee members this morning is the matter of SBA sending $180,000 in checks to the wrong people. Although this error is serious in and of itself, we are all concerned that this situation not be repeated. We

will be interested to learn of the safeguards SBA has installed to prevent this from happening again.

My concerns go beyond this $180,000 error. As we witnessed in the PASS program, I am concerned by SBA's apparent lack of ability to effectively manage their many contractors, whom they rely upon heavily to run their computer functions.

I also am concerned about what appears to be a lack of communication between SBA's field offices and the Office of Computer Sciences here in Washington. I think it is important to remember that the field offices depend on direction and support from Washington. It is indeed disturbing to us to learn that at least two of SBA's field offices went off on their own and bought their own computer equipment, only to learn shortly after their purchase that the Office of Computer Sciences in Washington was in the process of purchasing similar but incompatible equipment for the other field offices.

I want to make one thing clear. It is not my intention as chairman of this subcommittee to become involved in the day-to-day operation of the SBA. That is clearly not our role. But by the same token, we have the oversight responsibility to assure that taxpayer-supported programs of the agency are administered in an efficient and cost-effective manner.

After all, when these systems fail, they bring considerable pressure on SBA's ability to function and, as in the instance with PASS, could undermine the confidence and integrity of SBA's mission as an agency.

While I am sure SBA would like to have us believe that the problems with PASS and the $180,000 in erroneous disbursements are exceptions, I want to point out that these are but two areas where we have chosen to look.

My experience as a businessman combined with interviews with knowledgeable sources lead me to believe that SBA's computer problems are more deeply rooted and more serious than they have thus far admitted.

I am pleased that SBA Administrator James Sanders will be our witness this morning. I know that Mr. Sanders has made the restructuring of SBA's computer operation a chief priority of this administration. I believe it speaks very highly of Mr. Sanders that he chose to be with us here this morning.

Mr. Conte, do you have a statement?

Mr. CONTE. I don't have any statement. I just want to thank Jim Sanders, a friend of mine, for taking time out of his schedule to come here and testify. I hope the committee together with Jim can work out any problems they may have down there.

We are living in a computer age. Computers do go bananas. In the House of Representatives 3 weeks ago I proposed an amendment. We had a rollcall vote. I looked to the board; it read something like 987 to 850.

Being the ranking representative on the Appropriations Committee and sitting on all the subcommittees, I know we have problems. At the Social Security Administration the computer spits out things it shouldn't and makes payments to people it shouldn't. But that does not condone the problem.

We are here to work together and if there is a problem, to correct the problem.

Mr. BEDELL. Mr. Bilirakis.

OPENING STATEMENT OF HON. MICHAEL BILIRAKIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. BILIRAKIS. My computer system tells me to endorse the statement made by both you gentlemen. Something bad apparently has happened. We are all here to work together to see that it doesn't happen again and part of our role is certainly to work together.

I have been very pleased with the cooperation shown me by Mr. Sanders and his staff in many, many ways and the cooperation shown this committee.

You said it well, sir, when you commended him for his courage and his cooperation in coming here this morning. Hopefully what we are going to do here this morning is work on a positive note and try to keep the same sort of thing from happening again.

Thank you very much.

Mr. BEDELL. Mr. Sanders.

TESTIMONY OF JAMES C. SANDERS, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, ACCOMPANIED BY PAUL SWOPE, DIRECTOR OF COMPUTER SCIENCES; DONALD YOUNG, ASSOCIATE ADMINISTRATOR FOR PROCUREMENT AND TECHNOLOGY; AND ROBERT SANTY, CHIEF OF STAFF

Mr. SANDERS. Mr. Chairman, I appreciate your concern with the subject. Certainly it is one that is of primary concern to us as I think it is to the manager of any kind of enterprise today. At your request, Mr. Chairman, I appear today to discuss the Small Business Administration's computer system and the future outlook for those systems.

I also will touch on other computer-related topics of interest to you, Mr. Chairman, and members of your committee.

Before I outline the specific improvements we have made in SBA's computer systems, let me make a general observation. In today's computer age, it would seem that for only $2,000 to $4,000 one can acquire a personal computer to solve individual problems. Take your computer home, plug it in and immediately your life is organized. I only wish that were true of larger computer systems.

As the Grace Commission confirmed, Mr. Chairman, the Federal Government is by far the world's largest user of larger computers and automated office equipment. The Commission identified more than 17,000 computers in the Government and a work force of 250,000 persons who operate them. The cost of operating these systems totals about $12 billion annually. The Commission found that more than 50 percent of Federal automatic data processing hardware is obsolete and that most Federal systems are incompatible with each other.

Through improved utilization, elimination of duplicating systems and modernization, the Commission estimated a taxpayer savings of about $29.5 billion over 3 years. As my testimony will show, Mr. Chairman, SBA has gone a long way to face such criticism and bring its automatic data processing systems up to date, at a significant savings to the agency and the taxpayers. However, we still have a long way to go.

It would be helpful for you if I reviewed where the agency was 5 years ago in the area of its computer systems, and the progress and improvements we have made.

SBA five years ago had antiquated computer equipment, a number of aged and not very efficient software systems. The agency relied entirely upon the mails to bring data transactions from our many field offices to the central office here in Washington.

When data was received, there was a lag of sometimes as much as 16 days between the posting of payments in the loan collection systems and posting the same payment in the loan accounting system. This frequently caused great confusion in our loan collection efforts.

Top management's attention was focused on data processing only when problems arose. There was no mechanism established to provide managerial guidance.

Today, we have a nationwide network of computer terminals which allows managers in the field to communicate instantly with the central computer.

Shortly after I became Administrator, I established a special committee to review the status of the computer software system and make recommendations to me. Recognizing that not everything could be done at once, I decided to first concentrate on efforts to improve the financial systems.

Our first step was to introduce new data processing technology to convert the loan accounting and loan collection systems. This technology allows the computer itself to perform many of the functions previously performed by people.

The result has been a substantial improvement in the timeliness of our financial data. Transactions from the field are now posted to both loan collection and loan accounting segments of the data base on the same day. This new technology frees SBA personnel to work on other important requirements.

Information concerning our portfolio, such as loan payoff balances, may be instantly displayed to a manager across the country with a touch of the button on his or her terminal.

A new surety bond guarantee system, which also utilizes this technology, will be operational in August. The new system will feature on-line data entry, editing and retrieval capabilities which will be much more responsive to the user community.

Other program areas also have been strengthened, using contract personnel under direction of SBA staff. For example, the management assistance system has been completely redesigned.

Three separate systems—for training, counseling, and small business development centers, running on three different computers—have been combined into a single system. This system should be complete and fully operational in September.

Our Minority Small Business Development Office has recently completed the design of a new data base management system, to assist with our 8(a) and other minority small business programs.

The names of 25,000 small hi-tech firms interested and involved in the Small Business Innovation Research Program today are listed on another computer system. Thus these firms can receive

up-to-the-minute information on contract solicitations and deadlines for this widely watched and significant program.

We also have developed a computerized internal control and review system. This system uses a computer to assist in managing many of the details of the Agency. It has been well received and was favorably described in the latest issue of Government Executive magazine. We are continuing to improve the system to make it even more useful to managers.

The Air Force personnel data system was adopted as an SBA standard and has given us data base capabilities which would have cost us thousands of dollars to design for ourselves. Thus we now have a modern state-of-the-art means for managing our human resources.

In addition to our major system efforts, we are continuing to provide additional automated means for converting SBA's data base into information of use to managers.

Our computer security has been strengthened, and we are using the computer to the maximum extent possible to protect our financial resources. For example, loan applicants are computer cross-checked by name with all other loans in a particular ZIP code, servicing office, or region to reduce the potential for fraud.

In addition to continued improvement of systems which manage our data, we are preparing to introduce distributive processing within the SBA. We will locate in each of our 10 regions a minicomputer which will contain all the data for that region.

Each district office will have at least one smaller, or microcomputer, to communicate with its regional office. By using commercial software wherever possible, SBA regional and district managers will be able to get instant answers from the Agency data base.

By putting modern hardware and software tools in the hands of those managers who deal directly with the small business community, we will have transformed our data into an information resource to be used daily in meeting small business needs.

No longer will we ask our managers to give us their requirements so that we may produce an answer from the central computer. This has been a great waste of limited resources. Answers now will be readily available in the field.

So you see, Mr. Chairman, we have made important progress in our computer operations, progress which will boost Agency efficiency and service to the small business community. We intend to work vigorously to see that the computer modernization continues.

Even the most modern and efficient computers can, in a sense, make mistakes. As you know, Mr. Chairman, SBA mailed out 621 checks, worth $181,000, to SBA borrowers instead of to banks which had made loans guaranteed by the Agency and which were entitled to refunds largely on loans paid off ahead of schedule.

Without going into detail, this was an obvious and admitted human error. A computer was programmed incorrectly. The error occurred late last year. As soon as we learned of this mistake—which we discovered as a result of reviewing checks returned to the Treasury for cancellation—we acted to recover the funds from the borrowers.

Letters to the borrowers were sent in mid-February; a second letter was sent in mid-June. Thus far, Mr. Chairman, we have re-

covered more than half of the $181,000, and we are confident that virtually all of the funds will be recovered in the next few months.

As I say, this was an error, plain and simple. But I would contend that this single error does not reflect adversely on our computer systems and on the progress we have made in the computer field.

I would point out that each year SBA mails more than 187,000 checks to banks, contractors, borrowers and others. Those checks represent more than $330 million. Thus those 621 checks represent an annual error of less than one-half of 1 percent.

An important part of SBA's computer systems involves our procurement automated source system [PASS]. As you know, Mr. Chairman, PASS is a computerized list of small businesses capable of performing on Federal procurement contracts. More than 100,000 firms today are entered in PASS.

Also, as you know, Mr. Chairman, in the past we have encountered difficulties with PASS. In the last year, we have moved to correct these difficulties.

PASS became operational in 1978. At that time it was a state-of-the-art source retrieval system utilizing state-of-the-art equipment. PASS has remained fairly constant in terms of programming, structure, operation and equipment. During the last 6 years the state of the art in hardware had moved very rapidly forward. PASS did not.

PASS computer software and hardware are out of date. The software created by the original PASS contractor is extremely inefficient and expensive to operate. Technical documentation of the software is nonexistent; therefore, difficulties with the present software cannot be fully corrected.

Given the current state of the art in existing available data base management systems, it was decided on grounds of efficiency, flexibility and cost effectiveness to update PASS programming by purchasing an existing data base management system and adapt it to PASS. The data base management system selected dictates a change in type of hardware as well.

This technological update by itself will cause very few changes in PASS operation that are evident to the user. It will, however, greatly decrease the cost of PASS operation and provide highly flexible programming for easily enhancing PASS to meet current and future user needs.

Testing of the new system has already proven that great savings will occur. Functions which formerly took 55 hours of computer time which we paid for are now taking only minutes, using the new DBMS.

The overall result will be a technically updated cost-effective PASS in operation on October 1. After a user input is collected, a fully enhanced PASS system will become operational on March 1, 1985.

I can assure you, Mr. Chairman, that PASS will be operated by a small business under a set-aside contract.

Mr. Chairman, I would be pleased to answer any questions you and members of the committee might have.

Mr. BEDELL. Thank you very much, Mr. Sanders.

Will you identify the people with you and their positions?

Mr. SANDERS. The gentleman on my right is Mr. Donald Young who is Associate Administrator of our Procurement Program.

The gentleman on my left is Mr. Paul Swope who is in charge of the Office of Computer Sciences.

Mr. BEDELL. Mr. Conte.

Mr. CONTE. Mr. Administrator, you are making progress and I am pleased to hear that, but why do you acquire ADP equipment mainly through a sole source?

Wouldn't it be better to bid competitively?

Mr. SANDERS. Mr. Swope can answer in more detail, but I believe there is a need generally to find a qualified person in a short period of time. We find there is an abundance of ADP contractors.

Mr. SWOPE. So far as equipment, I believe you will find that our acquisitions have been competitive. Our latest acquisition was competitive procurement of some microcomputers.

What we are talking about are usually sole source through the 8(a) program, for computer programming assistance either for a specific system or to augment our Government resources on a major system.

Mr. BEDELL. Is that correct, that your recent 38 DEC computers were competitive bids? We have different information than that. I want to be sure we have accurate information.

Mr. SWOPE. That was a competitive bid, yes, sir.

Mr. CONTE. Who bid on it?

Mr. SWOPE. The winning bidder was Automated Business Systems.

Mr. BEDELL. But others bid?

Mr. SWOPE. Yes, sir.

Mr. CONTE. Who bid on it?

Mr. SANDERS. Mr. Chairman, while he is looking at that, I might point out over the past 4 years, of the total dollars spent, about 53 percent of them were sole source. Of that amount, a large percentage were 8(a).

Mr. SWOPE. The bidders would be ABSS, the winner, Cybercron, Chi Corp., Federal Systems, Inc., Micro-Computer Co., Inc., and Datatron.

Mr. CONTE. Is that the only computer purchase that was put out for competitive bid, or did you have others?

Could you tell me for the record how many computer purchases were competitively bid and how many were procured sole source?

Mr. SWOPE. There have been some individual microcomputers purchased at a cost ranging from $3,000 to $7,000 by individual program areas because they met their specific needs. Those were sole source because they were in the range of their procurement.

Anything approaching this, on 8(a), were competitively procured.

Mr. CONTE. How many contracts does the agency still have open?

Mr. SWOPE. So far as the computer sciences area?

Mr. CONTE. Yes.

Mr. SWOPE. It will take me just a minute to count the contracts we have open.

Mr. CONTE. You can put it in the record.

[The information referred to above follows:]

SBA has 41 contracts open in the Office of Computer Sciences.

LIST OF 1984 CONTRACTS IN OFFICE OF COMPUTER SCIENCES

Contractor	Brief description	1984 obligated	Amount spent	Contract open or completed
ABSS	Programming services	287,350	87,986.51	Open.
Do	38 personal computers	136,686	.....	Do.
Do	Programming services	773,294	513,991.53	Do.
Do	.....do	262,008	208,166.34	Do.
AT&T	Long lines lease	630,000	486,143.80	Do.
Allen Wayne	Update user manual	9,100	2,406.25	Do.
Americom	Microfilm services	122,604	64,841.92	Do.
Applied Information Sciences	Acq. planning study	3,220	3,220.00	Completed.
Automated Science Group	Program services	398,942	248,564.04	Open.
CHI Corp	ADP terminals	37,950	37,950.00	Completed.
Do	Software support	17,200	12,900.00	Open.
Centennial Systems	Disk and tape drives	1,275,300	951,458.98	Do.
Codex Corp	Communication equipment	506,094	348,179.90	Do.
Computer Systems Service Bureau	Payroll services	163,929	163,929.00	Completed.
Do	Programmer training services	143,596	111,779.28	Open.
Do	Payroll system	350,025	74,314.03	Do.
Do	Computer programmers	214,672	8,160.00	Do.
Do	.....do	31,956	4,030.00	Do.
Creative Associates, Inc	Systems analysis	155,867	72,875.30	Do.
Do	SBA Information Center	230,530	46,287.66	Do.
Do	Systems analysis services	91,539	53,189.00	Do.
Do	.....do	54,432	53,438.00	Do.
Do	.....do	29,713	29,500.00	Completed.
Data Flow Corp	Keypunch Services	102,000	9,848.00	Open.
Data General Corp	ADP equipment	254,023	238,951.00	Do.
Decision Data Computer Corp	ADP maintenance services	683,865	564,510.30	Do.
Executive Resources Assoc	Loan account and collection	258,836	219,095.66	Do.
Formula Consultants, Inc	Software licensing package	1,456	.....	Do.
Do	Message management system	2,950	.....	Do.
Genasys Corp	Software specialist	225,336	101,202.00	Do.
Do	.....do	102,168	7,127.50	Completed (balance deobligated).
Do	.....do	34,747	34,747.00	Completed.
Do	.....do	118,087	102,758.04	Open.
ITT World Communications	Communication lines	101,457	76,077.00	Do.
JCL Service First, Inc	Air-conditioning services	29,530	12,013.00	Do.
MICAS, Inc	Computer paper	16,800	16,800.00	Completed.
Do	Computer supplies	84,077	12,710.75	Open.
Management and Comp. Svcs	Datamacs II test data	2,700	.....	Do.
Printer Systems	Thermal line printers	34,400	.....	Do.
Do	ADP rental	291,001	186,136.00	Do.
R.L. Polk	FIRS directory service	67,498	50,622.00	Do.
SDA Federal Systems, Inc	CL/1 score software	4,600	2,267.00	Do.
SPSS, Inc	Stat. for service sciences	5,500	.....	Do.
Sperry Univac	Software specialist	53,248	29,440.00	Do.
Do	ADP rental/maintenance	722,201	535,966.31	Do.
Do	.....do	121,484	76,576.87	Do.
Techmatics Corp	Form 982 study	7,792	7,792.00	Completed.
The Fireline Corp	Fire protection system	850	850.00	Open.
Value Computing	VCI account to utilization	2,400	.....	Do.

Mr. CONTE. Mr. Swope, do you discuss your computer operations with other Federal agencies?

Mr. SWOPE. Yes, sir. I encourage the personnel of the Office of Computer Sciences to participate in seminars. Many of them are going to the Government Computer Exposition.

Mr. CONTE. What was that?

Mr. SWOPE. The Government Computer Exposition at the Convention Center. I have many friends who are directors or hold high

positions in Government agencies. I personally exchange viewpoints with them.

Mr. CONTE. Are there seminars for Federal Government employees which are held on an annual or semiannual basis?

Mr. SWOPE. There are a number of groups like this. Usually they are centered around the type of computer that your agency uses. For example, we use Sperry Univac and the organization that is devoted to that is called the USE.

I do have a number of people participating each year.

Mr. CONTE. Maybe this is something we ought to look into. Perhaps all the Federal Government agencies should get together and discuss computer purchases and the use of computers.

Mr. SANDERS. Congressman, I might add OMB has a major program. Part of the Reform 1985 approach is to try to bring together all the disparate activities of computer sciences of the various agencies. That is a monumental task. They have taken that as their responsibility.

Mr. CONTE. To what extent does manual recordkeeping exist in the district and branch offices?

Mr. SWOPE. I can't answer that precisely, but the installation of our computer network, approximately 180 terminals, has allowed them to directly input their loan accounting, collection, as well as payroll information and some other systems into our computer. So if the records are maintained in the district offices for those systems, they are a local option.

Mr. CONTE. Would you say that manual recordkeeping has increased or decreased in the last 3 years?

Mr. SWOPE. I believe that as the confidence in our systems has increased, which it has, the recordkeeping at the local level has decreased.

Mr. SANDERS. May I add something to that, Congressman?

The real breakthrough occurred early this year when we got the loan accounting system really put online and updated. That has not really been effective in the local offices until March, this spring. That was the first real breakthrough from the groundwork that has been done in the data base management system for so long.

It was the first real light in the tunnel I had seen. I am used to the promises of data base managers always saying it is just around the corner. I had the same experiences in private industry. We had to rewrite the entire program given us by major suppliers of hardware.

Our software took 2 years to rewrite. I then merged with a national firm and somebody in the central office had a masterful system they were going to hook everybody into—they spent almost $10 million and it still is not in effect—instead of taking stuff off the shelf already available for local offices.

We have the same kind of problems here. I am pleased we have now a system of loan accounting. It is the first breakthrough and probably the most important, the one we have to refer to so quickly that is in effect in the offices.

Now, it takes awhile for all those people to develop confidence in that system. You have to retrain them and expose them and drive them to it. Most of them would almost prefer to do it the old way.

But it is in effect and when I was in New York 2 weeks ago I was driving with one of our loan accounting specialists who turned to me and said:

> If there is one thing I want to thank you for, it is that we now have a loan accounting system that I can press a button and find out current information. It is the first time it has happened and I have been in this Agency over 10 years.

Mr. CONTE. Are district office employees trained here?

Mr. SANDERS. No, that particular employee did not train here. As a matter of fact, how he got his training on the new system, I don't know.

Mr. SWOPE. We usually train them in the field. We go to the offices. We send personnel either to the offices or a central field site for training. That is how we train them on the loan accounting system.

Mr. CONTE. Do you have an instructor who is solely responsible for training employees?

Mr. SWOPE. We have contract personnel for that, sir. We don't have any civil servant authorized for that.

Mr. CONTE. Would it be a good idea to have one or two instructors who could move around and give instructions?

Mr. SWOPE. That idea has merit.

Mr. CONTE. How about security? What security measures are you using with your computer operations?

Mr. SWOPE. Security, by the way, as you are well aware, is a problem throughout the industry and the Government. We use a very rigid password system with the authority delegated to the region as well as district offices for control. It is rather rigid.

That is not to say that someone could not get into our system since we know of other systems they have broken into, but we have established every safeguard we know possible.

Mr. CONTE. I hope you have. How about storage? Do you have duplicate storage away from the main office?

Mr. SWOPE. Yes, we do. As a matter of fact, we also have, and I am very proud of this, a contingency operation plan that I think is one of the best in the Government. We can route our loan collection, loan accounting information to an alternate site just with the flip of a switch.

Mr. CONTE. That is what I meant, an alternate site. You do have an alternate site?

Mr. SWOPE. We do.

Mr. CONTE. You have storage there, too?

Mr. SWOPE. We make sure our major files are stored offsite so that in the event of a catastrophe, we can start over.

Mr. CONTE. Thank you.

Mr. BEDELL. Mr. Conte asked about the training. You said it is done by contract people. Are those contract people the ones who have supplied the equipment or are they the ones you contract to do the training of the people who operate the equipment?

Mr. SWOPE. Both. We have operated both ways.

Mr. BEDELL. Are they the same people that train all the people in all your district offices?

Mr. SWOPE. No, it varies, Mr. Chairman. We don't use the same people.

Mr. BEDELL. Mr. Sanders, if I were running an operation and had a whole bunch of field offices, I would feel that it was my responsibility in my main office to see that the people out in those fields were using equipment properly and were trained in such a manner that I had some supervision over how they functioned.

All I can tell you is that some of the rumors we have heard is that that is not happening. We are here today to help you. I would ask you to look into these problems because the impression we have is that effective communication and training, is not occurring to the extent that it should be.

Mr. SANDERS. I think that is a good point, Mr. Chairman.

Mr. BEDELL. Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman.

We have established then, Mr. Sanders, that the two SBA field offices that purchased their own computer equipment had the authority to do so?

Mr. SANDERS. I think what you are referring to, Congressman, is the New York office that went out and leased some word processing equipment which did have our authorization.

You have to recognize that we have different kinds of computers for different purposes in our field offices. Beyond that we have encouraged all the field offices to continue their innovative approach to management information that they need or that they think they need in their geographical area.

There has been a lot of experimentation that we have encouraged. As a result of that, we have had some new systems being developed in some of the district offices that we think we can replicate around the country.

We have encouraged this kind of freedom. I am pleased to say Mr. Swope accepts at least my dictum that this is not a black art, that the kids in junior high school are some of the most proficient operators of computers we have in the country and we should continue to encourage experimentation in district offices, hopefully to replicate and not to overlap or duplicate. We are going to discover quicker use of sensitive kinds of equipment.

Your question was about the authorization?

Mr. BILIRAKIS. I am referring specifically to the statement made by Chairman Bedell.

Mr. SANDERS. I think he is referring to the equipment in the New York office.

Mr. BEDELL. No, I am not. I am referring to the fact that apparently some Wang computers were purchased or leased in Philadelphia or Detroit which do not interface with the rest of your equipment and are different from the computers you are putting into the other offices, as I understand it.

Mr. SANDERS. Let Mr. Swope elaborate on that, Mr. Chairman.

There was no purpose in making them compatible on the Wang equipment. He will elaborate on that.

Mr. SWOPE. Mr. Chairman, Philadelphia was authorized by us to lease equipment. They have an extensive system using the Wang word processors, which, while it is true they are micro computers, it is also true that other equipment may be termed micro computer, but the Wangs were never intended to interface with our system.

They don't collect loan accounting data, loan collection data, for example. We have a national system with which our terminals interface. The Wang system in Philadelphia is a local option and was authorized by me.

Mr. OLIN. Would the chairman yield?

Mr. BEDELL. Sure.

Mr. OLIN. Thank you, Mr. Chairman.

I want to ask a little bit more about that. One of the advantages of the word processors on Wang, one of them, is that they can communicate directly from field offices to the central office. That is one of their main benefits in addition to automating the work at a field office.

You can avoid mail, for example, just by transmitting memory over the telephone lines. It surprises me when you say that you would permit local offices to get word processing equipment that was not integrated into the whole system. It is quite contrary to my experience.

Mr. SWOPE. As I said earlier, we provided the field with the option to secure some microcomputers which are not compatible for specialized purposes. We don't want to infringe on their prerogatives as managers.

The Wangs, again, are being used for word processing purposes. Technically they could interface with our central computer, but they transfer data so slowly, it would be impractical for us to use them. They have a very specialized use which they perform very well and on a lease basis they are doing that.

There has been a moratorium since last year on the purchase of this equipment.

Mr. OLIN. Let me make one more comment.

I am quite surprised at what you say in the sense that ordinarily large organizations like yours that have a network would make it a point to try to standardize something like a word processor in order to get the maximum benefit from it, granted local offices show some initiative.

But really in the field of data communication you gain an awful lot by impressing an order on it that limits the freedom to do something that will yield efficiency in your operation. It does not sound quite right and I don't know about how you are set up, but what you say does not match my experience in industry.

Mr. SWOPE. You are quite right. We are in a position of rebuilding a boat afloat. We can't destroy the boat and start over. We will at some point in the future secure microprocessors which have both the data processing capability and word processing capability. At that time I believe that will become the standard word processor. It will be necessary to phase out the systems now existing rather than throwing out the investment in equipment and training.

You are right, we will have a standard and there are some excellent microprocessors on the market that have these capabilities. It is an evolutionary process.

Mr. OLIN. If the Chairman will yield further, do you have an organization under you that has the capability to basically mastermind and direct your communications program within SBA?

Mr. SWOPE. Yes, I do and that is the network systems branch.

Mr. OLIN. You say you have chaos existing and you have trouble coping with that. It seems to me that your information system is going to be quite complex, but it is not unusually complex, it is not abnormal for this day and age.

By this time you should have gotten control of that.

Mr. SWOPE. We have good control.

Mr. OLIN. You are studying a basis for standardization and bit by bit you improve your degree of standardization. It does not sound like you are doing that.

Mr. SWOPE. I think we are. If we were to stop everything we have done and try to superimpose a new hardware system, we would have indigestion of the worst sort.

It is necessary for the people who manage to have the best tools we can give them while replacing equipment.

Mr. OLIN. You have a standardization plan which bit by bit you gradually improve on and that as time passes you can standardize, granted you can't throw the whole thing out.

Mr. SWOPE. That is the plan. That is the way we are moving.

Mr. BEDELL. Do you have such a plan in writing?

Mr. SWOPE. We have a long-range plan.

Mr. BEDELL. If you have a plan in writing, I think the committee would like to receive a copy of it.

[See appendix A.]

Mr. SANDERS. I have read his plan, Mr. Chairman, his plan for 1983, 1984 and 1985 and moving out. I think it would benefit you to read those plans.

Mr. OLIN. It would be very well to verify what you have said and cross-check it.

Thank you for yielding to me.

Mr. BILIRAKIS. That is the point I was trying to determine. I am glad to hear that there is a standardization plan.

I wonder if giving the field offices the independence to lease and purchase equipment is consistent with that long-range plan of standardization. It would seem to belie standardization, if you will, rather than the other way around.

Mr. SWOPE. I think, sir, much attention has been focused on these Wang word processing machines. Without being flippant, I would also point out we have a great number of magnetic typewriters which several years ago, so to speak, were state-of-the-art and we are still using them.

All I am saying is that we will allow the people to continue with the best equipment locally. We have a plan which will standardize. No agency will ever be completely standardized, nor will any company ever be completely standardized.

I don't see how it can be done without the worst case of indigestion. We are moving in an orderly fashion.

Mr. BILIRAKIS. Your policy still is that your field offices can purchase or lease equipment on their own authority?

Mr. SWOPE. It has to be approved by the central office. That pretty much is the case. They are allowed to buy equipment they do need.

Mr. BILIRAKIS. Does the central office take into consideration the standardization plan before they give their approval?

Mr. SWOPE. I am the one that approves them, sir.

Mr. SANDERS. Mr. Young of our procurement program has a few comments to make about the history of Wang procurement which would be interesting, I think.

Mr. BILIRAKIS. What is significant about the Wang computer procurement, is that there is a policy which allows the field offices to purchase equipment independently. This seems to go against a standardization plan. That is really what concerns me.

Mr. SANDERS. Congressman, I think you misunderstood me. I said we have encouraged flexibility and innovation in the district offices. That does not mean we have abandoned our control or given them carte blanche to go out and buy any kind of equipment they want. By no means.

Congressman Olin, I don't know if you were here for my opening statement, but the point is that we are dealing a lot of times with history that was left to us. Some of the beginnings of these programs go back to 1979. We are trying to phase out some of this stuff.

Mr. YOUNG. In 1979 a decision was made to go to Wang word processing equipment throughout the agency. The decision there was to go to a word processing system, not necessarily to utilize the Wang equipment in the microcomputer capacity of which it is capable.

To go and make an agencywide buy of Wang equipment would have exceeded the agency's dollar authority for that type of thing under the GSA regulations. We would have had to go to the General Services Administration and get a delegation of procurement authority. That would have had to have been negotiated with Mr. Brooks' Government Operations Committee, usually a very time consuming evolution. A decision was made at that time, for whatever reason I don't know, not to seek such a delegation of procurement authority.

Now, we virtually have Wang on a piecemeal procurement basis throughout the country. Mr. Swope is endeavoring to make the best use of that equipment and region 3 is more or less a prototype in that effort.

Once a decision is made to standardize with whatever microcomputer we decide upon, we will be required to, and will, get such a delegation of procurement authority from the General Services Administration to make that buy.

Mr. BEDELL. I don't want to prolong the Wang thing, I think we have more important things to discuss, but when were the Wangs purchased?

Mr. YOUNG. They were purchased beginning in 1979.

Mr. SWOPE. They are continuing throughout the year; various machines are leased. There have been no purchases.

Mr. BEDELL. But they were leased in 1979?

Mr. SWOPE. Yes, sir, the moratorium on purchases was just in this last year.

Mr. BILIRAKIS. Mr. Swope, how long have you been with the Small Business Administration?

Mr. SWOPE. It will be 5 years in July.

Mr. BILIRAKIS. How long have you been in your current position?

Mr. SWOPE. Since that time when I left the Department of the Army.

Mr. BILIRAKIS. Prior to that, you were in the Department of the Army?

Mr. SWOPE. Yes.

Mr. BILIRAKIS. Were you involved in the computer field with them?

Mr. SWOPE. Yes, I have been involved in the computer field since 1962.

Mr. BILIRAKIS. Did you receivc education consistent with computer work?

What is your educational background?

Mr. SWOPE. I have a master's degree in management, but largely the computer education was acquired through manufacturers' seminars, technical courses provided by manufacturers and symposiums, and so forth.

Mr. BILIRAKIS. So, you are a career public servant? Is that proper terminology?

Mr. SWOPE. Yes, sir, that is a very proper term.

Mr. BILIRAKIS. You are not a political appointee?

Mr. SWOPE. Yes, sir, that is true, I am career.

Mr. BILIRAKIS. How is it you left the Department of the Army and went with the SBA?

Mr. SWOPE. For a promotion plus I liked the challenge of the job that was presented to me.

Mr. BILIRAKIS. In other words, an opening occurred and you applied for it along with other people?

Mr. SWOPE. I was told there were something like 70 people who applied, yes.

Mr. BILIRAKIS. That is pretty competitive all right.

Going back to your statement, Mr. Sanders, and, of course, the item that brought all this out, the 621 checks worth $181,000.

Why were they to be mailed out to the banks? They were Government checks; is that right?

Mr. SANDERS. That is right.

Mr. BILIRAKIS. These were guaranteed loans in the first place?

Mr. SANDERS. Yes.

Mr. BILIRAKIS. The guaranteed loans were paid off in advance by the borrowers?

Mr. SANDERS. Yes.

Mr. BILIRAKIS. Now, the Government was to mail $181,000 worth of checks to the banks?

Mr. SANDERS. That is correct.

Mr. BILIRAKIS. Should have mailed them to the banks?

Mr. SANDERS. Yes.

Mr. BILIRAKIS. Why is that?

Mr. SANDERS. We have an agreement that in prepayment situations a refund is made of part of the fee charged to the bank on the guarantee. They were entitled to that.

Mr. BILIRAKIS. I realize that. These are guaranteed loans; they are not direct loans, but guaranteed loans.

Mr. SANDERS. That is right.

Mr. BILIRAKIS. The law provides for us to take taxpayer dollars and pay them directly to the banks because the borrowers happened to pay off the loans ahead of time?

Mr. SANDERS. These are fees charged to the bank to begin with for a guarantee. These are partial refunds because it was paid off early. That is the way we have operated with them.

Mr. BILIRAKIS. These dollars were initially the banks' dollars?

Mr. SANDERS. I think it is fair to say——

Mr. BILIRAKIS. Sort of escrowed then by SBA?

Mr. SANDERS. That is right.

Mr. BILIRAKIS. Now, there has been a partial refund in accordance with the law?

Mr. SANDERS. I guess it is our regulations really. It is regulation.

Mr. BILIRAKIS. I don't know, I suppose I am admitting ignorance when I express shock and surprise at that, after having been on this committee 1½ years.

Mr. BEDELL. I think the gentleman raises a very good issue.

Why are the refunds made?

Mr. SANDERS. It is kind of like a refund of an unearned premium on insurance. The law provides that the banks be charged by the SBA a fee for the guarantee. When the loans are paid off early, prematurely, our regulations have said that they are entitled to a proration of return of that fee.

Mr. BEDELL. Why do you say that is in the regulations? I don't understand it.

If you guarantee them so they can get the loan, if the people pay the loan back early, haven't they gotten their payment?

Mr. SANDERS. I frankly don't know the history behind this regulation, Mr. Chairman.

Mr. BEDELL. Would the committee like to have them explain to us why they do that?

I think it would be wise to get this in writing unless there is some objection by the committee.

Mr. SANDERS. I will be pleased to give you the history of it.

Mr. BEDELL. We don't want the history. We want the reason why you are continuing.

Mr. SANDERS. To find that, I would have to go back in history.

Mr. BEDELL. Our concern would be whether that is really a sensible policy to follow because if it is not, I would think it should be changed. I think we are not here to judge at this time.

Mr. BILIRAKIS. Do you think it should be changed, Mr. Sanders? You are in the field with small businesses and banks.

Mr. SANDERS. I am used to the insurance business where we do refund premiums when a term is not completed. I imagine the history of the evolution of this particular regulation had something to do with our relationships with the banking industry.

Frankly, I have never been presented with that particular question and I will have to think about it. I would suppose that at some point this came out of a conference with experts in tha area, in the banking industry. They felt it was only fair that that be returned.

Frankly, for what was an average of $300 a check, looking back on it, it doesn't seem maybe to justify the cost of doing it.

I will certainly look into it and give you a report, but I don't have an opinion whether that is fair or unfair.

[The information referred to above follows:]

STAFF DISCUSSION PAPER

GUARANTY FEES—HISTORICAL BACKGROUND

Until the early 70's SBA charged participating lenders a fee for an SBA guaranty of a loan which was paid semi-annually by participating lenders based on the outstanding balance of the loan. This required that SBA compute the amount of the fee due for each period and bill the participants individually. This procedure served its purpose in the early days of the guaranty program and was maintainable because of the low volume and the relatively higher ratio of personnel to workload which existed at the time.

In the early 70's, the administrative burden of this process on the participating lenders as well as on SBA became very apparent. A study involving a task group of representatives of participating lenders resulted in the conclusion that a one-time up-front guaranty fee of 1 percent would provide a more acceptable and administratively simpler procedure. The Agency thereupon changed over to the one-time fee basis with resulting streamlining of the fee collection process and a more saleable basis for the guaranty program. This early version of the one-time fee approach included a provision for rebate of the fee based on the unused portion of the guaranty term. For instance, if a loan with a 5 year maturity was paid off in 2 years, the lender would receive a rebate for the unused 3 year portion. In addition, the fee could not be passed on to the borrower.

In 1978, a variety of changes in method of operation and legal interpretations of the Guaranty Agreement resulted in the development and implementation of a new Guaranty Agreement and some changes in the guaranty fee basis. Rebates of fees on loans disbursed after October 1, 1978, were no longer permitted and a passthrough of the fee to the borrower was allowed. Aside from the administrative steamlining, the major reason for the change revolved around the fact that the major risk portion of the typical SBA loan was the first 3 years. Problems in the later years tended to be far less severe and less costly. Consideration was given to weighting the earlier years higher than the later ones and to other such remedies. However, it was finally agreed that the simplest, most direct and most easily implementable approach would be a non-refundable one time guaranty fee coupled with provision for passthrough to borrower. Passthrough was considered in some detail after it became clear that, notwithstanding the stated prohibition against reimbursement of bank by the borrower, the borrower was typically paying the fee in one manner or another anyway (i.e. higher interest rates overall). Attempts to police the program were futile because of the variety of ways that a passthrough could be accomplished and the negative impacts on the program of over regulation in this area. Lenders typically did not understand a provision which did not necessitate payment by the end user for the services rendered. It was finally accepted that in the Agency's guarantee program, as in all business transactions, the costs of doing business are paid by the end user in one way or another. A passthrough provision was adopted after discussion within the Agency and contact/clearance with the then existing Congressional committees.

While the rebate of a guaranty fee on a loan made after October 1, 1978 is not permitted, rebates on guaranty loans made prior to that date are continuing. The number is of course substantially declining. Lenders are, however, still entitled to a rebate if the guaranty is cancelled before any disbursement is made. Special case by case exceptions are also possible on full justification at the field office level and approval by Central Office. Incidents of either of these happenings is very small. However, refunds of overpayments made by lenders is fairly common in that lenders often submit payment in the amount of 1 percent of the total loan instead of 1 percent of the guaranty portion of the loan. In a 90 percent guaranty situation this would result in a 10 percent overpayment by the lender which would automatically be refunded.

Mr. BILIRAKIS. I appreciate that.

Continuing along this line of questioning; we have a group of small businessmen who prepaid their loans which connotes that they have been successful small businessmen because they have prepaid their loans.

Yet since mid-February your agency has been attempting to collect money inadvertently sent to the small businessmen; businessmen who apparently have been successful because they prepaid

their loans. However, half of that money still has not been returned. What sorts of objections are you running into?

Mr. SANDERS. Of the remaining group, which is about half the money, a little less than half of the 621 checks, we have responses from a small fraction and others we have not heard from. We just sent about 2 weeks ago another letter which is a little stronger, a letter to those remaining, pointing out that this is not their money and to avoid legal consequences, they should respond immediately.

Mr. BILIRAKIS. Basically, you have not heard from approximately 50 percent of the businessmen that you have asked to return their checks.

Mr. SANDERS. Most of them, that is true.

Mr. BILIRAKIS. Are they still in business?

Mr. SANDERS. I should think most of them are. I would imagine we will find some who have moved since they received the check, but certainly not the majority.

I think the fact is, and perhaps what you are driving at, too, that most of those who paid off their loans early are, obviously, pretty successful and I think that we can expect repayment from the vast majority of them.

I am hopeful we will recover almost all of the funds.

Mr. BILIRAKIS. Certainly we are upset about the checks having gone to the wrong parties. And we are upset about the Wang computers and the other problems, which I guess exist everywhere. There is no utopia in this world of ours.

These are people the Government and taxpayers have lent a hand to and said, "We will help you," and we have come to the point where they have prepaid their loans. Now some of them are giving us a hard time and refusing to return the money?

Mr. SANDERS. Yes. But I have to put that in the context of the over 100,000 checks we send out all the time.

I have to put that against also our big problems. There is less than $80,000 or there is about $80,000 still owed to us. That approaches the average amount of one loan failure in our whole portfolio of which we have millions.

Mr. BILIRAKIS. The unreturned funds are not loan failures. Loan failures are made by people who were unsuccessful for whatever reasons, most of which was probably their fault, or because of the economy.

Mr. SANDERS. What I am suggesting is that with our limited resources in collecting loans and such, I certainly wouldn't turn our people to loan collecting, to go after these some 250 people who have not responded. I think we will get most of them through the mail procedure. I think that is the best way to go about it until we get down to the hard kernel of those who really refuse to pay us back and perhaps we will take some other measures.

Mr. BILIRAKIS. These were handwritten checks which were mailed out?

Mr. SANDERS. They were not handwritten.

Mr. BILIRAKIS. In any case, they were not electronic transfers?

Mr. SANDERS. They were Treasury checks.

Mr. BILIRAKIS. In this age of computers and electronic sophistication, do we have electronic fund transfers with banks on small business loans? Are we considering that? Is it a good idea?

Mr. SANDERS. We have speeded up the transmission of our funds to central collections such as the place we have in Denver so that we don't lose that float time.

I don't know any way that we could get our electronic transfers in the near future of all of the oustanding loan accounts. Have you done any research on that, Paul?

Mr. SWOPE. The Treasury checks were based on the notification to them on magnetic tape of the amounts to be disbursed which is where the error occurred, so, in essence, that was an electronic transfer.

Mr. SANDERS. OMB has been in charge, Congressman, of trying to eliminate some of the loss to the Government in the float of checks. I think we have come quite a distance from the time people used to come in the SBA office with cash and leave it.

We have gone to central collecting. I think that is a step forward. Maybe we are not far away from having the right or the ability to have electronic transfers from the debtor's bank into a central depository for us. Frankly, we are a few steps away from that in the priorities of the kind of things we have to do in our data management system.

As I say, the first breakthrough in bringing up to date this antiquated system that we have inherited came this spring in the loan accounting system. That was the most criticized and should have been the most criticized. It is a deplorable situation. We continue to have some pretty deplorable situations.

I want to point out it is not unique to our Agency. As a matter of fact, in some areas our Agency has been pointed to as being ahead of the curve, which is a little scary, because if we are ahead of the curve, it shows how far behind some of the others are.

Anyway, we have to take these things in order of priority. I don't think we will ever get to the point that the life insurance companies have where you have them automatically deduct from their monthly pay check their premium.

Mr. BILIRAKIS. Why can't we get to that point, not only the SBA, but we, the Federal Government? Why can't employers, in cooperation with the banks, electronically transfer the funds withheld for Social Security and income taxes to the Treasury on an immediate basis rather than having to wait months?

Mr. SANDERS. First of all, a person has to do that voluntarily.

Second, if you set up your equipment to deduct that and then they move their account, then you have to track them down again.

It is a good question, Congressman. I will be pleased to explore that at some length with you.

We are constantly looking for ways to improve the collection efforts. I grant if everybody stays in place and you can automatically transfer from a bank to a given depository, that is marvelous, but if you make a computer mistake in that, again you have the same problem that we have today but on a much higher scale.

Mr. BILIRAKIS. Jim, I have one last question and this is of a general nature. I certainly don't mean to malign SBA because you have been very cooperative with our farm disaster program down in Florida and I appreciate it very much.

Is there any likelihood that these nonused or under-used field computers are adding to the problems and delays in handling the disaster program applications?

Mr. SANDERS. No, I can't think of an instance where that has added to the problem, no.

As a matter of fact, I think one of the programs that has generally received kudos from around the country has been the revamped disaster corps we have in place now, the regional offices seem to have responded very well, perhaps too well to attract agricultural interests.

Mr. BILIRAKIS. Would you concur with that, Mr. Swope, as far as you know?

Mr. SWOPE. As far as the ADP equipment, that is correct.

Mr. BILIRAKIS. In other words, we don't have an awful lot of equipment in these field offices that is not being used to its full capacity?

Mr. SWOPE. No, sir. In fact, the equipment is being very well used.

I recently visited the Grand Prairie disaster office and they are using the equipment efficiently.

Mr. BILIRAKIS. Thank you.

Mr. BEDELL. I would like to call on Congressman Britt. I understand he has some of his constituents here in the room. Congressman Britt is a very active member of this committee and a great asset to our committee.

Could we ask them to stand up, Robin?

Mr. BRITT. This is the leadership of Greensboro, NC.

Mr. Chairman, I would like to begin by commending you for the hearings. A lot of our time in Congress is spent on legislation and I find we don't exercise our oversight role as fully as we should. I would like to go back to the $180,000 error for a minute. How was this discovered?

Mr. SANDERS. Our Accounting Department discovered it when they got the canceled checks back from the Treasury Department, if I recall correctly.

Mr. BRITT. Is there any danger that with those 100,000 other checks that we will have similar problems that might not be discovered?

Mr. SANDERS. A mistake like that is always unforeseen. You say you have a system in place that prevents that and then something happens, a glitch like this. What happened in this case is that the person who was responsible for programming these checks didn't check back, the SOP.

Under the accepted procedure, before you put the program into operation, you check back with the department that is affected by this, which was the Accounting Department. This particular person didn't do that. Had he done that, the Accounting Department would have said: "Hey, you have this reversed, you are sending the checks to the borrower, not to the lender."

But they didn't do that and it wasn't discovered until it kicked out about 30 days' worth of checks. We did go into the system and say we have to improve this so this does not happen again. We have to put some clamps on this.

Mr. BRITT. The Office of Management and Budget requires each agency to assess its vulnerability with respect to waste, fraud, and abuse every 2 years. Is that ongoing?

Mr. SANDERS. We sent a rather excellent report, it seems to me, it was 1983. We sent a rather detailed report of where we thought the weaknesses were in the Agency's systems on both a management and accounting basis.

I will be glad to furnish you a copy of that, Congressman. It is rather detailed.

Mr. BRITT. I would like to have it.

[See appendix B.]

Mr. BRITT [continuing]. Did that report assess the vulnerability of checkwriting in any way?

Mr. SANDERS. It got into the depository situation and checkwriting and issuance in each one of the programs.

Mr. BRITT. I would like to see a copy of that.

So, you won't make another report until 1985 in that regard then?

Mr. SANDERS. I am not clear on when we are expected to make the next report. Needless to say, we are almost in monthly communication with OMB on various ideas.

Mr. BRITT. Let me go back to the issue of manual recordkeeping for a moment.

I understand that it is a fairly extensive situation, that is, it is not a rare situation, the fact that there is a duplication of systems that are simply operating manual recordkeeping. Do you have any knowledge of that?

There are some concerns about systems that are centrally operated in terms of how much feedback gets back to the district offices. There is a fairly wide duplication of records at the district level and duplicated ones up here on the computer. Is that correct?

Mr. SANDERS. I am going to ask Mr. Swope to comment on that, but let me say at the outset because of the terrible inefficiency of the system, until this breakthrough was achieved this spring people in the field knew that the system was out of date as much as 90 days.

Some of them took to keeping manual records in their own offices and relying on those instead because they simply couldn't rely on the system.

I think now that we have this breakthrough and the comment of the fellow in New York I told you about earlier, what a relief it was to him to finally find he has a system at his fingertips that he can get up-to-date information, until we get them all convinced that that is the way to operate, we are going to have some people out there probably continuing to keep manual systems.

Mr. Swope can probably refine that comment a bit.

Mr. SWOPE. I agree, it is not unique to our system. I have never seen a computer system designed yet where recordkeeping was involved where people didn't keep manual records to assure that the computer worked properly.

I do believe, in my conversations with the managers, as the computer system has improved, their reliance on manual records has decreased. It is a matter of education.

There will always be some people keeping records. Some people will never believe in computers.

Mr. BEDELL. Would the gentleman yield?

Mr. BRITT. Yes.

Mr. BEDELL. It seems to me that is your responsibility, Mr. Sanders. I would feel that way if I was head of an organization.

Are you not concerned whether or not people in the field offices are duplicating the effort by keeping them on computers and keeping them manually?

Do you not feel that is your responsibility?

Mr. SANDERS. I agree with you.

Mr. BEDELL. Your testimony indicated that is going to happen and there is not much you can do about it.

Mr. SANDERS. That is not what I was trying to imply at all.

It is simply it is a breakthrough system. It has been operating effectively for about 3 months or so. We sent the word out that this system now is reliable, but it takes some salesmanship.

Incidentally, that is my total responsibility. There are two ways that we deal with that.

First of all, nicely enough, we do have this kind of widespread nationwide service organization called SBA with all these offices out there.

I find the best way to communicate with them is to make a video tape on management problems. I do that with some frequency. That tape goes to roughly the hundred offices we have. So, they all get the same message at the same time, said the same way. There is a consistency there. That is another subject we will deal with in that way.

Then we have our system of checking on the technical review teams that go into each office on an average basis of once a year. That is the one that was written up in the Government Executive magazine, this last issue. We feel that that system is a living document. We keep trying to improve on it.

That is why we reach into each office and each program and pull files out. If we find people are still relying on manual systems, that is a real F for them and that office has to correct that system.

Mr. BRITT. That was my concern with the response of Mr. Swope when he said, "Well, that is the way things happen."

Obviously, in a transitional stage there will be some reliance, but I think the whole point is that is sort of stone age management and we need to shift to computers.

Mr. SANDERS. It is not acceptable.

Mr. BRITT. What is the degree of standardization in the offices?

I am a little surprised that some might have manual backup, some might not, some might have some sort of equipment, some don't.

If you went to one office in one part of the country and one office in another part, how standardized would we find their operations?

Mr. SANDERS. I think you would find it pretty standardized. I think you have to recognize, as I think I said in the statement here, that we were not getting anywhere 2 years ago when I got the job. We weren't seeming to make any headway in the data management system.

I had some consultations with many of the management people in the Agency. I had some frustrations, having come over as Associate Administrator for Management Assistance and not having had any results over there and I discussed it with Mr. Swope and others.

It became apparent to me that given the fact that we do have some limitation on our resources, that we had to establish priorities, what we were going to attack first. We just can't stop everything until we get the whole ship designed and fly it. We have to keep moving.

So, I said let us knock off all the requests from management assistance people, from the minority business people, from the surety bond people. Let us get the loan accounting system up first. I told them to concentrate on that and hold off on the rest of them.

In the meantime, those people in the other offices have to continue to collect data and collect management information. That led to some improvements perhaps in the systems in some local offices where they kept their own files and they played around with the Wang information and they got pretty good information out of that.

We are not waiting for the central office to come through with a Solomon decision on a master system.

As we pointed out here, we now have a timeframe in which to bring on board the bond guarantee program in August, management assistance program in September, all on the data base management system, and minority small business data will be included in that timeframe. We have a whole schedule of these things that will be brought in.

In the meantime, we are discovering that there are some district offices developing some special information that they want in their own offices, using basically the Wang. It is stuff that perhaps we don't need in the central office, but they like it and they use it. We have encouraged them to continue in that vein.

I think that emphasizes the flexibility. It is important. It does not abandon a centralized, ongoing, coordinated program, but it says there have to be some embellishments and we have to recognize that.

Mr. BRITT. Presumably as you make progress and bring more of the programs into the computer system, you will achieve standardization to a large degree, the same data base and those kinds of things?

Mr. SANDERS. Absolutely.

One more thing I found was so prevalent in our Agency and I think in others. Incidentally, I talked to OMB about this and the White House has the same kind of challenge when we say we are not getting information that is useful, we need a system that tells us X, Y, and Z.

Generally the Government approach is we will put out a request for a proprietary system. We will get a program back for $1 million that will take 2 years.

On the shelf there are all kinds of software that can be adapted to most of the needs we have tomorrow. That is what we should be thinking about. That is what I have charged Mr. Swope to do, look

around at the stuff that is on the shelf today and don't go back and redesign the wheel.

I think we are breaking through in some of those areas.

Mr. BRITT. Thank you, Mr. Chairman.

Mr. BEDELL. I am very, very fortunate to have such a tremendous subcommittee. Normally I always wait until the last question, but I have about five things here and especially since Mr. Olin is here, I think I ought to at least mention some of the concerns because some of the members of the committee may want to pursue them.

Mr. BOEHLERT. We are being very serious this morning because, obviously, this is very serious business. Before I leave, could I inject something lighter.

I would like to ask my colleague from North Carolina if all his visitors are members of our committee?

The reason I ask that is that I happen to represent Cooperstown, NY, which is the home of the Baseball Hall of Fame. Mr. Britt has appointed me cochairman of the Committee to Gain Admission to the Baseball Hall of Fame for Enos "Country" Slaughter.

So, if you have not joined the committee, I would like you to sign up after this hearing. [Laughter.]

Mr. BEDELL. I will try to go through some of the concerns I have. We are not sure whether these things are accurate or not.

We have been told that on your one computer system that you purchased or leased, as the case may be, between the Univac and the minicomputers, that there was originally a requirement that the computers would interface with the Univac system and based on that, a number of the people who had originally bid or were planning to bid withdrew because theirs would not interface.

We are told there are two computers that ended up making the bid, one of which was a Tandem computer and one which was Data General. The Data General did not interface, but you bought from Data General rather than buying the one that would interface.

Since Mr. Olin is so knowledgeable on this, I thought it was better for me to bring that up.

Another question I would like to ask relates to the contract that you gave to correct the PASS system. How much of that work was done by the firm with whom you contracted and how much did they subcontract out? We have been told that all of it was contracted out and that the firm with whom you contracted did not do the work.

Second, I understand that this was a sole source, noncompetitively bid contract. Is that correct?

Third, we are told that this one mess up is not the only one that has occurred at SBA. Somebody in your mailroom received a check for $17,000 through another error and checks have been erroneously going to other employees as well.

Finally, we understand that you have a suit against the SBA, Mr. Swope. I think the committee would be interested in knowing what is involved in this and why you are suing the Government as an employee of the Government.

I thought it would be good, if the committee does not object, to get this out.

I yield to Mr. Olin at this time.

Mr. OLIN. Mr. Chairman, you have laid out a few very important questions. Perhaps you would like to have Mr. Swope comment on the last one first.

I yield back to you on that.

Mr. BEDELL. Do you want to tell us about your suit against the Government? We would like to know a little bit about why you are suing us.

Mr. SWOPE. On advice of counsel, since it is in litigation, I respectfully decline to answer any questions.

Mr. BEDELL. You won't tell us why you are suing the SBA?

Mr. SWOPE. I respectfully decline to answer.

Mr. SANDERS. That is a matter in litigation. We feel anything commented on here could prejudice our case.

Mr. BEDELL. There must be some way that we can find out why.

Mr. SANDERS. You are certainly entitled to the records, Mr. Congressman.

Mr. BEDELL. Would the committee like to have those records, a confidential briefing, or what?

Mr. OLIN. It seems to me there ought to be some way to acquire some knowledge of the situation.

Mr. SANDERS. Mr. Congressman, we released this information to you, the IG's information. You have the total information. You have certainly read it and could share it with the members of the committee.

Mr. BEDELL. I have not read it. The committee staff has read it.

Mr. SANDERS. I think you can see it is obvious you could prejudice the case by making comment on it.

Mr. OLIN. Could we have the staff circulate this information?

Mr. BEDELL. Could the staff circulate to the subcommittee either the full report or a summary?

I think we would prefer a two-paragraph summary as to what is involved rather than a long report.

Mr. SANDERS. Mr. Chairman, we can send all the members the papers that are filed in court.

Mr. BEDELL. I don't think we want to go through a lot of papers. If we have an employee suing us, I think we are entitled to know what we have done. I am advised apparently we are supposed to keep that confidential. I would ask the members of the subcommittee to do so.

Mr. BOEHLERT. If the paperwork has been submitted to the staff, they can provide us with a summary. I am curious, too. I can understand the response if the matter is in litigation. If the staff has the paperwork, why not have the staff provide us with a summary?

Mr. OLIN. Mr. Chairman, can I pursue the question you started with, the No. 1 question relating to the purchase of a Data General computer?

It is my information, Mr. Swope, that you have been installing microcomputers in the regions and the idea was to interface them back with the central Univac and sometime ago SBA purchased 38 Digital computers, on a sole-source basis, I guess, as part of that program. On March 19 of this year SBA also purchased on a sole-source basis for $254,000 the Data General minicomputer, I take it for the same purpose. As a part of that procurement, other vendors were rejected because they could not interface with the Univac.

Then it turns out that Data General could not either, but we had already purchased the machines.

Could you comment on that? Is our information correct in this case?

Mr. SWOPE. No, sir. I believe there is some error in the information.

As to the 38 microcomputers, that was a competitive selection.

As to the purchase of the Data General minicomputer, that was within our procurement authority. I made the selection based on policy guidance to this extent. It is compatible with our Sperry unit. I witnessed a transfer of data between the two.

The final selection was made because Data General with this minicomputer offered the widest range of commercial software, which means we would have that available to use as a test bed. That was what tipped the scale in favor of Data General. It is a compatible machine with the Sperry Univac. We have it installed and are preparing to transfer data today, as a matter of fact.

Mr. OLIN. You are saying that our information on the sole-source procurement of the Data General microcomputer is incorrect?

Mr. SWOPE. Yes.

Mr. OLIN. They were purchased on a competitive basis?

Mr. SWOPE. Yes, sir.

Mr. OLIN. Our information with regard to the incompatibility of the Data General computer is incorrect, that it is compatible with Univac?

Mr. SWOPE. Yes, it is.

Mr. OLIN. Was this purchased on a sole-source basis?

Mr. SWOPE. Yes, it was.

Mr. OLIN. That was one computer?

Mr. SWOPE. It is going to be a test bed. Based on the knowledge we derive from that, we will competitively acquire additional minicomputers. This is larger than a microcomputer, considerably larger.

Mr. OLIN. Mr. Chairman, I think we need to doublecheck our source and see what the problem is.

Mr. BEDELL. Can I ask a question?

Mr. OLIN. I yield to the Chairman.

Mr. BEDELL. We were told that the Tandem computer you also considered, as I understand it, could talk back and forth, so to speak, with the Univac?

Mr. SWOPE. Yes, it can.

Mr. BEDELL. The Data General you bought, as it exists now, can't it do that?

Mr. SWOPE. That is incorrect. It can.

Mr. BEDELL. Without having to spend much money in order to convert?

Mr. SWOPE. It can transfer data.

Mr. BEDELL. No, talk back and forth. It is not a question of being able to transfer data. The question is whether they can talk back and forth in order to make changes and can they talk to each other to the same extent the Tandem can?

Mr. SWOPE. On the specifications for that contract so far as communicating with the Univac computer, Data General has the same capability as Tandem.

Mr. BEDELL. In terms of talking back and forth?

Mr. SWOPE. Yes.

Mr. BEDELL. You are under oath.

The information we have is that that is not the case.

Mr. SWOPE. That information is incorrect.

Mr. OLIN. Thank you, Mr. Chairman. That is all I have.

Mr. BEDELL. Mr. Boehlert.

Mr. BOEHLERT. Mr. Chairman, I know you have asked the GAO to look into SBA's computer-based systems. When is that report due?

Mr. BEDELL. I beg your pardon?

Mr. BOEHLERT. When is the GAO report due?

Mr. BEDELL. That is the problem. When can we expect the GAO report? Staff.

STAFF. That will be at the end of the year or early next year.

Mr. BOEHLERT. Are we getting interim information from GAO?

Mr. BEDELL. I have personally talked to some of the GAO staff. I think they feel they can't issue a report because of their concern that they might have something erroneous until they have completely checked it out.

Mr. BOEHLERT. Mr. Sanders, I would assume the GAO people have been in touch with you and your staff and you are cooperating fully, I would also assume?

Mr. SANDERS. I don't think we have any problem in that respect at all. We encourage their participation as we do yours.

Incidentally, while we are on the subject, Mr. Chairman, I would like to ask each member of the committee, particularly Mr. Olin with his background in data management, to come down and look at our stuff and visit our facilities or some of your staff to come down and go into the field with us and look at the stuff that we have and try the computer and see what is going on.

I would really enjoy that kind of participation and I would enjoy the wisdom that you have in this area.

Mr. OLIN. I don't know everything about it, but I would respond positively to your suggestion. If you invite me, I will see if I can't arrange some time to come. I would appreciate that opportunity.

Thank you very much.

Mr. SANDERS. As you know, Mr. Chairman, I invited you last week.

Mr. BEDELL. Thank you.

We really want to work together to solve the problems that are there. We don't know how great these problems are. We get some indication that there are serious problems involving your computer operation down there.

As an oversight committee, I think we have a responsibility to check them out. We want to be fair as we do so. We are not here to put you on the carpet. We want to find out what the problems are.

Mr. BOEHLERT. I would agree.

I just have an observation and then I will yield.

I am a freshman who in my 20th year on Capitol Hill has been through several administrations of SBA. I would like to compliment the present Administrator for his openness and candor. It is very refreshing. I would like to take advantage of the invitation

you have issued the committee. I have a lot to learn in this area and I would like to learn it in a hurry.

This hearing is extremely important. I am anxious, as you are, to cooperate in achieving the results we seek. I am confident the Administrator feels the same way. I would like to thank him for his appearance here this morning.

Mr. BEDELL. Thank you, Mr. Boehlert.

Mr. Ray.

Mr. RAY. Thank you, Mr. Chairman.

Mr. Sanders, I am glad to have you here this morning. I want to associate myself with the remarks of my colleagues. We do think you are open and you are candid and you are accessible. We appreciate the fact that you have come to explain and help us this morning.

I am sorry I have been a half hour late. I was in another meeting which I couldn't leave.

Maybe this question has already been answered.

Has SBA developed a master plan which describes the agency's long-range information needs and addresses the management and technical goals that the agency has to accomplish as you go along?

Mr. SANDERS. Yes, Congressman. That question was asked and we do have a long-range plan. It is written and we will furnish each member of the committee with a copy of that.

Mr. RAY. You have adequate funds to implement that plan?

Mr. SANDERS. So far I think we do. I don't think we would come and request an unlimited amount of money or facilities. Some people have said the only way you can get an up-to-date, state-of-the-art computerized management system is to spend $100 million a year and keep ahead of the state of the art.

Obviously, we are more limited than that. I think we are making the right progress. If I didn't, I would come and request additional support in that area.

Mr. RAY. What timeframe do you see the plan falling in place?

Mr. SANDERS. We have a plan that works out through 1985 and I think beyond that we would adjust it, depending again on how fast the art progresses.

Mr. Swope has told me that he thinks that possibly by the end of 1985 or maybe 1986 we will replace the Univac computer with a minicomputer. That will be obsolete by that time and that the state of the art and the minicomputers and teams of minicomputers will be such that it can be replaced. As you know, the art in the software is moving so fast and whatever you put down as desirable hardware today in 12 months or 18 months may not be the case.

Mr. RAY. Thank you, Mr. Sanders.

Thank you, Mr. Chairman.

Mr. BEDELL. Thank you, Mr. Ray.

Mr. Sanders, Public Law 97-255 of September 8, 1982, requires you to furnish a report by December 31, 1983, and December 31 of each succeeding year in regard to these items. Are you aware of that law?

Mr. SANDERS. I get a lot of reports, Mr. Chairman, I don't remember that off the top of my head.

Mr. BEDELL. Would you check it? My question is whether or not you are complying with it.

It is easy not to comply with laws because you are not aware of them. It requires a report furnished to both the President and Congress. I presume if it were to come to the Congress, that it would come to this committee.

Mr. SANDERS. Could you identify that, Mr. Chairman?

Mr. BEDELL. I will read it to you:

(3) By December 31, 1983, and by December 31 of each succeeding year, the head of each executive agency shall, on the basis of an evaluation conducted in accordance with guidelines prescribed under paragraph (2) of this subsection prepare a statement;

(A) that the agency's systems of internal accounting and administrative control fully comply with the requirements of paragraph (1); or

(B) that such systems do not fully comply with such requirements.

(4) In the event that the head of an agency prepares a statement described in paragaraph (3B), the head of such agency shall include with such statement a report in which any material weaknesses in the agency's systems of internal accounting and administrative control are identified and the plans and schedule for correcting any such weaknesses are described.

Mr. SANDERS. Let me interrupt. Yes, we have filed that report.

Mr. BEDELL. I should think that should come to us. It is supposed to go to the Congress.

To whom would it go in the Congress?

Mr. SANTY. The usual practice would be to transmit it to the Speaker of the House and the Vice President.

[See appendix B.]

Mr. BEDELL. I asked earlier about the PASS system subcontracting.

Can you tell us how much of that has been subcontracted by the contractor to whom you issued the sole-source contract? It was a sole-source contract, was it not?

Mr. SWOPE. To the best of my knowledge, the work was performed by the company which is Creative Associates.

Mr. BEDELL. As far as you know, none of the work was subcontracted out?

Mr. SWOPE. Not to my knowledge. I would refer to our contract specialist on that.

[The following clarifying information was received from the agency:]

Creative Associates has a consulting agreement with Infodata to provide assistance in using the data base management system [DBMS] called Inquire in the PASS system. In addition, Creative Associates will purchase computer time from Litton for the testing of the upgraded PASS. Informatics is not a subcontractor on PASS.

PASS CONTRACTS AWARDED

Contractor	Brief description	1984 obligated	Amount spent	Contract open or completed
Computer System Service Bureau	PASS services	165,994	137,702.73	Open.
Creative Associates	PASS enhancement	358,239	216,450.85	Do.
Executive Resources Associates	PASS	74,000	35,759.00	Do.

Mr. BEDELL. You have been working with them, have you not?

Mr. SWOPE. I am not aware of any subcontractor.

Mr. BEDELL. Are you familiar with the firm Informatics?

Mr. SWOPE. I think what you might be referring to there, we are using a proprietary data base management system which is a commercial software package. They might possibly be a vendor of that. We might have leased that through Creative Associates. As to the subcontracting relationship, I am not aware such exists.

Mr. SANDERS. Under the 8(a) regulation the contractor can't subcontract more than 50 percent of the work.

Mr. BEDELL. What would you do if that were the case—more than 50 percent?

Mr. SWOPE. We would terminate the contract. They would be in violation of the regulation.

Mr. BEDELL. Is our information correct that you have problems with the payroll system, that it has been sending checks to people who were not supposed to get them?

Mr. SWOPE. The specific one you mentioned I am not aware of. Periodically there are problems in the system which are resolved as they occur. I am not aware of the $17,000 check in the mailroom.

Mr. BEDELL. Are checks going to people who shouldn't get the checks?

Mr. SWOPE. I am not specifically aware of any, but, as I say, there have been problems and there may have been.

Mr. BEDELL. If there were problems, would they come to your attention?

Mr. SWOPE. Usually they would and very promptly.

Mr. BEDELL. They would normally come to you and you are not aware of any problems in the payroll system where checks have gone to people who should not receive them?

Mr. SWOPE. We are completely redesigning our payroll system because of the fact it is an ancient system and does have some problems.

I am not aware of any payroll checks to people who weren't supposed to receive them. They don't give me a list of all the problems that exist.

Mr. BEDELL. $17,000 would be large enough for you to hear about, wouldn't it?

Mr. SWOPE. That I am sure I would have heard about, and I have not heard of it.

Mr. BEDELL. Does anybody else have any questions?

We appreciate very much your coming here.

Will you check, Mr. Swope, and advise us as to whether there have been problems with your payroll system and whether checks have gone to people who are not supposed to have received them, and if they have, what action is being taken to correct it?

Mr. SWOPE. Yes, sir.

For the record, we are completely redesigning the system because of some problems. I am not aware of a $17,000 mispayment, nor do I know of any other problems that have not been corrected immediately. I will research that.

Mr. BEDELL. Would you check and find out if there have been those sorts of errors?

[The following information was received by the subcommittee:]

In the past 6 months, some checks were sent to the wrong office because a location code was incorrectly fed to the computer by field personnel. This was corrected. In addition, there were 7 instances of too much severance pay computed. The checks were held in abeyance, however; and our Personnel Office is correcting the data. None of the problems were caused by any malfunction of the computer system.

Mr. BEDELL [continuing]. I guess I am a little concerned, Mr. Sanders, that you speak so lightly about the $90,000 that was sent out and not recovered, that we ought to worry more about loans and that sort of thing and put this aside as secondary. I, as one member, feel that that should be pursued and indeed that money should be recovered and you should consider it a fairly definitive part of your job to see that it is recovered.

Mr. SANDERS. Mr. Chairman, I am sorry if you interpreted what I said as having regarded it lightly. I don't regard any kind of misspent funds or checks lightly. I think I was only trying to say in the management of collections we have a large amount of things that we are constantly after.

We were talking about the technique of how you go after that. We don't intend to forgive any of that money.

Mr. BEDELL. Unless I misjudged my subcommittee, this subcommittee is a very conscientious, dedicated, hard-working subcommittee and I think we take our oversight responsibilities very seriously. I don't think we want to be an impediment to you. I think we want to work with you. I think that we feel very disturbed if things are not going right in an agency for which we have the responsibility of oversight.

So, we had better serve notice to you that this may not be the last time you will be here if we think things are wrong.

Mr. SANDERS. I appreciate your concern and support and your contributions.

I hope you will come down to the agency and get out in the field and look at some of the things we are doing.

Mr. BEDELL. Thank you.

The subcommittee is adjourned.

[Whereupon, at 11:10 a.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

APPENDIX

Appendix A.—SBA Long-Range Plan for Automated Data Processing-Communications

UNITED STATES
SMALL BUSINESS ADMINISTRATION

OFFICE OF COMPUTER SCIENCES
LONG-RANGE PLAN
1985

Prepared by
Plans, Standards, & Project Control Staff

C O N T E N T S

OFFICE OF COMPUTER SCIENCES

LONG-RANGE AUTOMATED DATA PROCESSING/COMMUNICATIONS PLAN

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SECTION I

CURRENT STATUS

SMALL BUSINESS ADMINISTRATION

SBA NOTICE

TO:	Central Office Management Board Members and Office Directors, Regional Administrators, and District Directors	NOTICE NO. 9000-13 EFFECTIVE 9-2-83

SUBJECT: Office of Computer Sciences Initiatives

There are a sizable number of new projects which the Office of Computer Sciences has undertaken in an effort to better serve you; and the time has come to tell you about some of our efforts, as well as share with you our plans for the future. We are very excited about these new projects and feel certain that you will share our excitement when you discover what they mean to you.

1. By now, each of you should be aware of our efforts in installing the Air Force Personnel Data System at the regional and Central Office levels. As well as being in keeping with the initiatives of the President's Reform 88 guidance, it is designed to provide you with a truly state-of-the-art personnel system. To do this, it has been necessary to acquire Burroughs equipment and enter into an Interagency Agreement to utilize the Defense Mapping Agency's Burroughs computer. This system is one of the best of its kind and will be a complete turn-key operation with the Air Force making all future program changes and being responsible for maintenance. In a nutshell, its extremely usable, customer-friendly retrieval capabilities will give you what you want, when you want it, and in the format you choose. Although the Air Force has indicated they are experiencing some slight difficulties, we are targeting an operational date of mid-to-late September. As you may know, the Air Force is already in the process of converting their system from Burroughs to Sperry, to occur in approximately a year or more. Since we are already equipped with Sperry, the conversion should present no problems for us. We decided not to defer the project by waiting for the conversion since your need for this presently based Burroughs system was critical.

2. Without boring you with technical jargon, we are doubling our computer capability by adding an additional central processing unit. This, in effect, will give us two computers and even further increase the enormous amount of data we have been processing. Installation is scheduled for the 24th of September.

3. A subject near and dear to all our hearts is the timely receipt of our paychecks. For some time, a very well-qualified minority-owned firm has been designing a system called Network 932. This system will allow the transmission of time and attendance records over the network to provide for faster transmission of data, more stringent edits to increase the quality of this data, and, hopefully, eliminate the need for a supplementary pay cycle. We have already entered parallel testing, and our target for implementation is the 18th of September. In addition, we plan to run both systems for two pay periods after that as a double safety measure. All users have been trained; and, while there will undoubtedly be minor problems as are normally associated with major system changes, we are confident that the improved processing will pay huge dividends.

4. It has long been a dream of the Office of the Comptroller to have a consolidated Loan Accounting/Loan Collection data base. The first major step of that dream is nearing fruition; and the Office of Computer Sciences is presently prepared, after

completing extensive testing, to bring that consolidated data base "on line." The actual implementation has been deferred until October at the request of the Comptroller. Continuing efforts will be made to add additional information to that system utilizing data base management techniques; for example, the Surety Bond Guarantee system is being designed to fit within the overall framework and is scheduled for implementation in the third quarter of FY84. Major advantages for this module will be data entry via terminals for source locations, state-of-the-art techniques, and removal of the limitations which prevented the old system from being responsive to users.

5. All of you are aware, I am sure, of the Administrator's desire to concentrate our efforts on improving the financial systems. Completion of all the above-cited actions will either contribute directly to this goal or will free resources to be added to this effort.

6. In addition, a unique concept will soon be piloted which requires some explanation. In the past, in order to satisfy information requirements, the traditional method has been to write programs in high-level languages, which is a time-consuming process, or to use canned, commercially available software packages. Unfortunately, our computer, which was purchased for us by the General Services Administration, is manufactured by a company which represents only approximately 20 percent of the market. It follows, then, that the major software houses write commercial software for those computer systems comprising 80 percent of the market. To avoid continuing to write time-consuming programs and be able to utilize commercial software while, at the same time, retaining our present equipment, we are taking the following approach:

We will soon acquire a minicomputer and attach a number of microcomputers to the minicomputer. The term "mini" is a misnomer since, while relatively small in size, a minicomputer can contain substantial quantities of information. In addition, canned software is available for use directly on the minicomputer; such as, a data base management system, the ability to create charts for trend analysis, a user-friendly language permitting non-data-processing professionals to write their own reports, as well as many other useful accessories. Furthermore, the microcomputers attached to the minicomputer have their own unique commercial software; and we plan to provide as wide a variety of microcomputers as are compatible with the system.

To acquaint you with the capabilities of these new tools, we will soon establish an Information Center in the Central Office. The minicomputer and microcomputers will be located in this Center. The Center will be staffed by Office of Computer Sciences experts whose mission will be to assist you in becoming familiar with these facilities. All authorized SBA personnel may use the equipment; however, other visitors will be welcome. The first data available will be loan accounting information, which will be transferred periodically from the Sperry computer to the minicomputer. You will be guided in the techniques necessary to write your own reports, create graphs, and secure the information that you require to perform your duties. You may use the reports you have created on either a one-time or recurring basis as the need is established. The Office of Computer Sciences will also provide other services; such as, advice on the acquisition of microcomputers and related software for use in your own offices. To assist users in selecting microcomputers and appropriate software, we have acquired several memberships in a local small business which will allow you to experiment with various software

packages and microcomputers and select those which fit your needs. Visitors to the Information Center will be allowed to use these memberships with the assistance of Office of Computer Sciences personnel. The whole intent of the Center is to make it as simple as possible for you to become personally familiar with modern technology and get the information you need without going through the laborious process with which you are presently faced.

Assuming this pilot is successful, and I am confident it will be, the next step will be to install a minicomputer in each of the regions, making the same data and software available except that the data will be restricted to that region's portion of the total data base.

Finally, microcomputers with word processing capabilities, if so desired by the user, will be installed at the district (or lower) level in the field and will attach to the minicomputer. This will be a replacement for the network as we know it today and much of our word processing equipment.

These ambitious undertakings will require your shared enthusiasm and support, which I earnestly solicit. As new developments occur, you will be kept advised. Questions may be directed to me at 653-6708.

Paul G. Swope, Director
Office of Computer Sciences

(for) Joe Maas, AA/A

SBA U.S. Small Business Administration
Washington, DC 20416

Memorandum

15 July 1983

Date:

Director
From: Office of Computer Sciences

Subject: Concept for Satisfying SBA's Data Processing Needs

To: Robert A. Turnbull
Associate Deputy Administrator
for Resource Management

Outline of Problem. For the past several years, efforts have been underway to alleviate the data processing problems in the Small Business Administration. While the day-to-day problems have been legion, the basic issues can be reduced to relatively few. These, however, have required an enormous amount of time and money in attacking.

1. Inaccurate data. The plethora of antiquated systems which have evolved over the years have reached the point where the managers in SBA can derive little or no useful information from them.

2. Poorly defined information requirements. It is not always possible for SBA managers to state accurately the type of data they require, although their time span for desiring that data is usually short. This has led to increasingly frantic efforts on the part of the Office of Computer Sciences to satisfy these needs. The traditional method has been to write tailored computer programs for each requirement; and, as a result, a long queue of requests has developed. It should be noted that this situation has occurred throughout the Government and the industry as a whole.

3. Antiquated equipment. This problem has been largely solved in the past three years between a virtually complete replacement of the data processing equipment in SBA and the installation of a nationwide network for data collection. While equipment malfunctions will continue to occur throughout such a far-flung agency as SBA, they are addressed as promptly as possible and will continue to be so handled.

The issue of inaccurate data has been attacked by adopting data base technology, such as, consolidating our more important information into a structured environment. For example, loan accounting and loan collection systems have been integrated and will be brought on line as a single unit, most probably in August. This effort has taken several years and will be a continuing effort as other information is added, such as, the surety bond guarantee system.

Ideally, a manager should not have to rely on waiting for a tailored program to be written to satisfy his/her requirements since considerable numbers of commercially available software packages which can be operated by the manager exist on the market today. Unfortunately, the Sperry computer selected for us by the General Services Administration is not compatible with most of these packages. The reason for this is simple--since Sperry Corporation only provides approximately twenty percent of the hardware market, nearly all the producers of software packages write theirs to operate on IBM equipment.

However, the mere substitution of IBM equipment for Sperry would not solve the problem because our major systems would not operate on IBM without considerable conversion; and our personnel would require extensive training in the use of IBM hardware.

Planned Solution. I plan to solve the problem in three phases:

Phase One. There are readily available today a number of minicomputers which can access data from Sperry. We are evaluating several of these at the present time; and, as soon as I identify one which I am convinced will operate in the desired manner, I intend to lease it and establish an "Information Center." Using our region with the largest number of loans as a test case, I plan to transfer these data from the Sperry to the minicomputer, hopefully on a daily basis. At the same time, I plan to provide for the attachment of personal computers to the minicomputers. The advantage of this approach is that both the minicomputer and the personal computers have a wealth of commercial software packages readily available. With the cooperation of the Offices of Finance and Investment and the Comptroller, I plan a rigorous testing of the concept at this phase with their managers extracting and manipulating the data as they choose.

Phase Two. Since I am confident of the success of Phase One, my plans are to install a minicomputer in each of the regions in addition to one or more in the Central Office. Data from the central computer will be "down loaded"; i.e., transferred, to the minicomputers on a daily basis; and access by personal computers will be encouraged at the regional, as well as at the district, level. This approach should satisfy the differing informational needs of these two organizational levels. It is stressed that the existing network will remain in place during this time; but, as Phase Two proves successful, we will cease developing any further displays for use on the computer terminals now in place.

Phase Three. With the success of Phase Two, and, again, I remain confident, the existing terminals will be completely replaced by the minicomputers and personal computers which will or will not have word processing capabilities, at the option of the local managers.

I see the role of the Office of Computer Sciences (OCS) as changing drastically with this approach, with its main role being to act as a clearinghouse of information; to provide high-level technical support; to monitor contracts for acquisition, installation, maintenance, and replacement of equipment; and to introduce new state-of-the-art technologies as they become available. It will probably also be necessary to have a professional computer specialist resident in each region, under the operational control of the Office of Computer Sciences, much like a post-of-duty concept.

I do not intend for this to be a lengthy, drawn-out process since I am convinced it is the direction that SBA must take until greater machine compatibility is achieved throughout the industry. The speed at which I intend to proceed will be

limited only by the availability of funds, personnel, and management support. This concept has been discussed with the Steering Committee before; and, unless I am directed otherwise, I will commence to proceed on this course.

Paul G. Swope

Paul G. Swope

cc: Joe Maas

OCS:PSwope:KRM:7-15-83

U.S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

Date: MAY 10 1983

To: Members of the Management Board

From: James C. Sanders
Administrator

Subject: Effective Utilization of Internal Computer Resources

It has become increasingly evident to me that we must concentrate our efforts on providing better management of our financial activities. To do so will require the increasing use of automated systems, as well as the development of more sophisticated systems, in order to provide better control.

The Office of Computer Sciences is limited in resources and cannot effect the changes I desire without a redirection of priorities. Accordingly, I am directing that the total resources of the Office of Computer Sciences be devoted to improvements in the automation of our financial systems. All other systems, including those which are already automated, will be operated outside the Agency on a contract basis under the technical direction of the Director, Office of Computer Sciences. It will be the responsibility of the various program heads to fund these operations from their budgets. Cost analyses will be performed as required by OMB Circular A-76 prior to contracting. The Office of Administration will either perform or monitor the performance of these analyses.

The shifting of emphasis in no way implies that the other programs of the Agency are of less importance. It is merely a recognition of the fact that, as a large-scale financial institution, we must apply our critical resources to those areas which require the most immediate attention. The Associate Deputy Administrator for Resource Management will provide any necessary guidance to accomplish this transition.

James C. Sanders
Administrator

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date AUG 25 1983

To Regional Administrators
Special Assistants To Regional Administrators
Management Board

From Administrator

Subject Administrator's Priorities and Requirements of OMB Circular A-123

I fully support the requirements of OMB Circular A-123, and the high priority the President has given to strengthening internal controls as one of the most effective means of safeguarding resources against waste, loss, unauthorized use or misappropriation.

The enclosures modify my memorandum of August 6 in which I set our priorites for FY'84 by including the requirements of A-123 in the Agency Mission Statement and as an Agency priority.

James C. Sanders

Enclosures

SBA

U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: 19 May 1983

From: Director
Office of Computer Sciences

Subject: Budget Guidance for FY85

To: OCS Staff and Branch Chiefs

In view of the new directions established by the Administrator for the Office of Computer Sciences, the guidance for the FY85 budget will vary considerably from the past. Our three major areas for concentration of efforts will be:

1. Maintaining and improving the data communications system;

2. Continue to utilize data base management technology, as well as micro and/or minicomputers, in providing information to SBA managers; and

3. Monitoring contracts for the development and/or operation of all non-financial-related systems.

These are the assumptions to be made for FY85:

1. All in-house efforts of OCS will be concentrated on developing and improving the Financial Information System (FIS);

2. All existing and new non-financial-related systems will be operated outside SBA on a contract basis with the funding being supplied by the responsible program office. The OCS will furnish the COTRs;

3. The OCS strength will remain at 81 with some temporaries;

4. Although we will continue a round-the-clock, seven-day-per-week operating basis in the Operations Branch, we will attempt to offload as many one-time reports or specialized reports to microcouputers located in the customers' areas as practicable;

5. We will continue to monitor the development of word processing systems for purely local use with no access to the central data base;

6. We will augment our computer by an additional CPU;

7. Micro/minicomputers acquired will be selected from a family which will interface with the mainframe;

8. Packaged software maintained by major software houses will be utilized to the maximum extent possible in lieu of tailored applications programming;

9. The data base machine will be acquired and tested for use in the FIS;

10. It will be necessary to reevaluate the acquisition of an uninterrupted power supply for the mainframe;

11. Contract assistance will be utilized to develop an RFP for the replacement of the existing computer;

12. An Information Services Center will be established where customers may utilize micro/minicomputers in deriving information from the FIS. The Center will be staffed by OCS personnel;

13. Continued heavy emphasis will be placed on training of OCS personnel. Programmed instruction training via terminal will be utilized to acquaint the field with changes, additions, etc., to the FIS; and

14. A minicomputer which interfaces with the mainframe will be placed in each of the regions, and an automatic exchange of data will be established daily between the regional offices and the Central Office.

Staff and Branch Chiefs are requested to utilize these assumptions in the development of their FY85 budgets.

Paul G. Swope

cc: Buell Smith

SBA

U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: 10 May 1984

From: Director, Office of Computer Sciences

Subject: Budget Guidance for FY86

To: OCS Staff and Branch Chiefs

During FY 1986, our efforts will be concentrated on:

1. Upgrading the data communications system by installing microcomputers and minicomputers and adopting the Regional Information Center concept.

2. Continue our policy of providing managers with all authorized data together with the necessary hardware and software to enable them to convert the data into information.

3. Continue supporting most major efforts with contract personnel.

These are the assumptions to be made for FY86:

1. The data base approach for all appropriate new systems being developed will be continued.

2. OCS strength will remain unchanged.

3. Current technology will be utilized to permit customers to assume data control functions by utilizing microcomputers located in the program areas.

4. We will continue using off-the-shelf software to the maximum extent possible, avoiding a heavy investment in customized programming.

5. One or more data base machines will be acquired.

6. The COOP will be revised because of the Regional Information Center concept.

7. Contract assistance will be necessary to prepare and publish RFPs and competitively acquire a new front-end processor, 14 to 16 minicomputers and a requirements-type contract for 300 to 400 microcomputers for use in the network.

8. The Central Office Information Center will be doubled in size with appropriate augmentation of equipment.

9. One or more OCS personnel will be located in each region, under a post-of-duty concept, to provide hardware and software support. Frequent travel to the Central Office will be required.

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10. A heavy training program will be established for user personnel and more complex technical training for OCS personnel.

11. Each Information Center, as well as the Central Office computer room, will be furnished with the latest equipment available to guard against power surges/interruptions.

12. Contract assistance will be utilized for the preliminary work on an RFP to replace the SPERRY 1182.

13. Color graphics will be utilized to the maximum extent possible to replace hard-copy statistical reports.

14. Existing LA/LC COBOL programs will be overhauled/replaced using contract assistance.

Please utilize these assumptions in preparing your proposed FY86 budgets.

Paul G. Swope

USER REQUIREMENTS DEFINITION

For the past several years, efforts have been underway to alleviate the data processing problems within the Small Business Administration. The three basic issues identified were (1) inaccurate data, (2) constant changing and need for new information requirements, and (3) antiquated equipment. Good progress was attained in two of the three areas, through consolidation of our major systems into a data base environment to achieve uniformity of data, and in the upgrade or replacement of virtually all of our data processing equipment. The traditional approach of writing tailored computer programs to satisfy information requirements has not been totally successful; and, as a result, long queues of unsatisfied user requirements continue to exist. It became evident in mid-1983 that new methods and newer technology must be brought to bear in order to satisfy growing requirements for information. In developing the initial concept, SBA identified three major areas of information needs: (1) Strategic Planning Information Needs (Central Office and Denver Collection Office), (2) Management Control Information Needs (Regional Offices), and (3) Operational Management Information Needs (District and Branch Offices). Most information used by all levels of management within the Agency is generated from the same forms. How it is applied by managers at each level varies considerably in terms of detail, scope, and purpose. Long-range goals call for a distributive processing concept via a system of information centers which will facilitate the flow of needed information in all directions. Therefore, the basic user requirement is the need to have access to the data, have complete control of local data, and have the ability to retrieve and/or manipulate that data. This will allow managers at all levels to adjust to and quickly satisfy the ever-changing requirement for information.

NETWORK SITES

The Small Business Administration Data Communications System (SBADCS) network consists of:

10 Regional Offices
83 District/Branch Offices
6 Disaster Offices
The Office of Financial Operations, Denver, Colorado
15 Central Office Locations

Region, District, Disaster and most Branch Offices have one or more CRT terminals, one or more Dataproducts Model T-80 or Olivetti TH-240, one Dataproducts Model M-200 standalone printer, CODEX MODEMs and/or statistical multiplexers, which are connected via dedicated voice grade telephone lines through a Regional node to the Central Office host computer.

Uses of the network to date are: Query/Response usage which pertains to the Loan Accounting Master File, the Loan Collection Master File, and the Surety Bond Guarantee Master File; the Loan Application Tracking System, i.e., the input/output concerning Business Loan Approvals; the Message Transmission System, i.e., transfer of messages such as press releases to-from any network location; the 8(a) Financial Information System, i.e., input/output concerning Security, and 8(a) company/contract transactions; the Management Assistance System, i.e., on-line data entry, editing and updating of MA data; the Time and Attendance System, i.e., the on-line input, and editing of bi-monthly data for input into the payroll system; the Computerized Internal Control and Review System for support of the Financial Integrity Act and OMB Circular A-123; and the Surety Bond Guarantee System for the terminal entry of transactions at the source. This work load does not tax the capacity of the network. It does represent the implementation of those applications that could be developed within the resource constraints of the Office of Computer Sciences.

A description of the equipment components, the number of units, locations, lease and maintenance costs follows:

COMPONENTS:

CRT 6820/6830 Cathode Ray Tube Terminal, DEC Rainbow 100 Microcomputer and IBM Microcomputer

An input/output unit by which a user transmits to, and receives data from, the host computer via communications lines. The screen is capable of displaying 24 lines of 80 characters each. Sites having more than 1 CRT are connected to telephone lines through a SPERRY time division multiplexer.

SPERPY Time Division Multiplexer (TDM)

A device used to interface more than one input/output device over a single communications line. In the SBADCS only CTRs are connected to the multiplexer. CRTs are serviced in series on a first-in, first-out basis.

Dataproducts T-80 Printer/Olivetti TH-240 Printer

A parallel device which connects directly to the CRT. This device does not have the capability to interface with the host computer. Its only capability is to copy to paper data which has been displayed on the screen of the CRT. This provides the user with the facility of retaining "hard-copy" of what was transmitted or received on the CRT.

Dataproducts M-200 Printer

A serial printer, connected to a separate communication channel on a dedicated telephone line, capable of printing 132 characters per line at a speed of 120 lines per minute. This device receives reports from the host computer which were generated from transactions entered from a CRT. The printer is a receive-only device and is not capable of transmitting data to the host computer nor can it be connected to the time division multiplexer.

TELEPHONE LINES

Data Communications Line - Comprises a type 3002 voice-grade point-to-point dedicated line between two locations, with a service terminal at each end.

CODEX MODEL 6040

Statistical Multiplexer - Allows data to be passed from several locations at the same time over the same communications line. It does statistical and performance monitoring.

CODEX 14400 bps, 9600 bps, and 4800 bps MODEM

This is a device for performing necessary signal transformation between terminal devices and communications lines.

SBADCS EQUIPMENT INVENTORY

REGION I

LOCATION	CRT's	CRT PRINTERS	STAND-ALONE PRINTERS	MUX
Boston, MA RO	1	1	1	
Boston, MA DO	2	2	1	1
Hartford, CT	1	1	1	
Augusta, ME	1	1	1	
Concord, NH	1	1	1	
Providence, RI	1	1	1	
Montpelier, VT	1	1	1	
	8	8	7	1

REGION II

Melville, NY BO	1	1	1	
Elmira NY BC	1	1	1	
New York, NY RO	2	2	1	1
New York, NY DO	4	4	1	1
Syracuse, NY DO	2	2	1	1
Varick St., NY DIS	6	6	1	1
Newark, NJ DO	2	2	1	1
Fairlawn, NJ DIS	1	1	1	
Buffalo, NY BO	1	1	1	
Puerto Rico DO	3	3	1	1
Anchorage DO	1	1	1	
	24	24	11	6

REGION III

Bala Cynwyd, PA RO	1	1	1	
Bala Cynwyd, PA DO	2	2	1	1
Pittsburgh, PA DO	1	1	1	
Washington, DC DO	2	2	1	1
Towson, MD	1	1	1	
Richmond, VA	1	1	1	
Clarksburg, WVA	1	1	1	
Wilkes-Barre, PA	1	1	1	
Harrisburg, PA	1	1	1	
Wilmington, DE	1	1		
Charleston, WVA	1	1		
	13	13	9	2

REGION IV

LOCATION	CRT's	CRT PRINTERS	STAND-ALONE PRINTERS	MUX
Atlanta, GA RO	2	2	1	1
Atlanta, GA DO	4	4	1	1
Birmingham, AL	2	2	1	1
Coral Gables, FL	2	2	1	1
Jacksonville, FL	1	1	1	
Louisville, KY	2	2	1	1
Jackson, MS	1	1	1	
Biloxi, MS BO	1	1	1	
Charlotte, NC	1	1	1	
Columbia, SC	2	2	1	1
Nashville, TN	2	2	1	1
Atlanta, GA DIS	1	1	1	
	21	21	12	7

REGION V

Chicago, IL RO	2	2	1	1
Chicago, IL DO	2	2	1	1
Indianapolis, IN	1	1	1	
Detroit, MI	1	1	1	
Minneapolis, MN	2	2	1	1
Cleveland, OH	1	1	1	
Columbus, OH	1	1	1	
Madison, WI	1	1	1	
Milwaukee, WI	1	1	1	
Cincinnati, OH	1	1	1	
Springfield, IL	1	1	1	
	14	14	11	3

REGION VI

LOCATION	CRT's	CRT PRINTERS	STAND-ALONE PRINTERS	MIX
Dallas, TX RO	3	3	1	1
Dallas, TX DO	2	2	1	1
Houston, TX	2	2	1	1
Lwr Rio Grande Val	1	1	1	
Lubbock, TX	3	3	1	1
San Antonio, TX	2	2	1	1
Crps Chrstl, TX BO	1	1	1	
Little Rock, AR	2	2	1	1
New Orleans, LA	4	4	1	1
Albuquerque, NM	1	1	1	
Oklahoma City, OK	1	1	1	
El Paso, TX	1	1	1	
Grnd Prairie, TX DIS	1	1	1	
Shreveport, LA BO	1	1	1	
	25	25	14	7

REGION VII

Kansas City, MO RO	2	2	1	1
Kansas City, MO DO	2	2	1	1
St. Louis, MO	2	2	1	1
Des Moines, IA	3	3	1	1
Wichita, KS	2	2	1	1
Omaha, NE	2	2	1	1
Cedar Rapids, IA	1	1	1	
Springfield, MO	1	1	1	
	15	15	8	6

REGION VIII

Denver, CO RO	1	1	1	
Denver, CO DO	2	2	1	1
Helena, MT	1	1	1	
Fargo, ND	1	1	1	
Sioux Falls, SD	1	1	1	
Salt Lake City, UT	1	1	1	
Denver OPC	7	7	1	1
Casper, WY	1	1	1	
	15	15	8	2

REGION IX

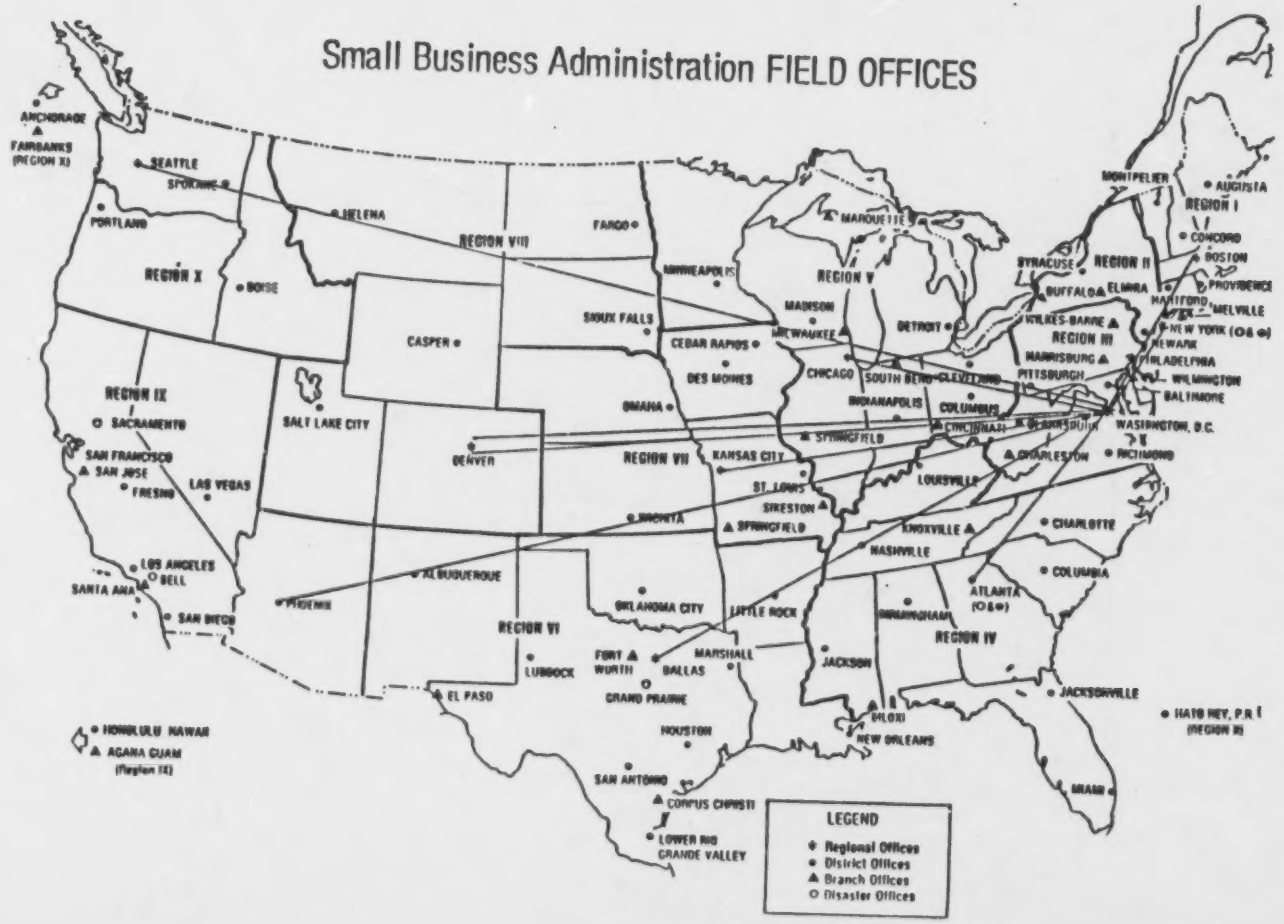
LOCATION	CRT's	CRT PRINTERS	STAND-ALONE PRINTERS	MUX
San Fran, CA RO	2	2	1	1
Los Angeles, CA RO	4	4	1	1
San Diego, CA	1	1	1	
San Francisco, CA	3	3	1	1
Las Vegas, NV	1	1	1	
Fresno, CA	2	2	1	1
Phoenix, AZ	2	2	1	1
Sacramento, CA DIS	2	2	1	1
Honolulu, HA	1	1	1	
Santa Ana, CA DIS	2	2		1
	20	20	9	7

REGION X

Seattle, WA RO	1	1	1	
Seattle, WA DO	1	1	1	
Spokane, WA	1	1	1	
Boise, ID	1	1	1	
Anchorage, AL	1	1		
Portland, OR	1	1	1	
	6	6	5	0

CENTRAL OFFICE

OCS/Info Sys Br	6	6	2	2
OCS/DBA Staff	1	1	1	
OCS/NW Sys NDS	1	1		1
OCS/OB S&CSS	1	1	1	
OCS/NW Sys PAL	3	3	1	1
Comptroller Acct Ops	7	7		1
Prog Anal & Rev	1	1	1	
Pub Commo Div	1	1		
Personnel	1	1		
Inspector General	1	1	1	
Bus Dvlp Div/MSB	1	1	1	
OAO/Payroll	3	3	1	1
F&I/Surety Bond	2	2		
F&I/Sp Cuar	1	1		
	30	30	9	6


Small Business Administration FIELD OFFICES
ANCHORAGE
FAIRBANKS (REGION X)
SEATTLE
SPOKANE
PORTLAND
REGION X
BOISE
HELENA
REGION VIII
FARGO
MINNEAPOLIS
REGION V
MARQUETTE
MONTPELIER
AUGUSTA
REGION I
CONCORD
BOSTON
PROVIDENCE
HARTFORD
MELVILLE
NEW YORK (OA)
NEWARK
PHILADELPHIA
WILMINGTON
BALTIMORE
WASHINGTON, D.C.
RICHMOND
CHARLESTON
CHARLOTTE
COLUMBIA
ATLANTA (OA)
JACKSONVILLE
SAN JUAN, P.R. (REGION II)
REGION II
SYRACUSE
BUFFALO
ELMIRA
WILKES-BARRE
REGION III
HARRISBURG
PITTSBURGH
CLEVELAND
COLUMBUS
CINCINNATI
DETROIT
MADISON
MILWAUKEE
CHICAGO
SOUTH BEND
INDIANAPOLIS
SPRINGFIELD
CEDAR RAPIDS
DES MOINES
SIOUX FALLS
CASPER
OMAHA
DENVER
SALT LAKE CITY
REGION IX
SACRAMENTO
SAN FRANCISCO
SAN JOSE
FRESNO
LAS VEGAS
LOS ANGELES
BELL
SANTA ANA
SAN DIEGO
PHOENIX
ALBUQUERQUE
WICHITA
REGION VII
KANSAS CITY
ST. LOUIS
SPRINGFIELD
SIKESTON
LOUISVILLE
KNOXVILLE
NASHVILLE
BIRMINGHAM
JACKSON
MOBILE
NEW ORLEANS
REGION IV
OKLAHOMA CITY
LITTLE ROCK
REGION VI
LUBBOCK
FORT WORTH
DALLAS
MARSHALL
GRAND PRAIRIE
EL PASO
HOUSTON
SAN ANTONIO
CORPUS CHRISTI
LOWER RIO GRANDE VALLEY
MIAMI
HONOLULU HAWAII
AGANA GUAM (Region IX)
LEGEND
Regional Offices
District Offices
Branch Offices
Disaster Offices

SBADCS OVERVIEW (as of 1 Oct 1982) WITHOUT MAJOR TRUNK LINES

SECTION II

STANDARDS/CONTROL PLAN

OBJECTIVES

Procedures for establishing, reviewing and maintaining OCS objectives and policies, as listed below, will become a part of the Long Range Plan. Objectives will be reviewed at least yearly and will be updated as required. Branch/Staff Chiefs may recommend changes to the Director, OCS as required. Subsequent to the Director's approval, inclusion of recommended changes in the Long Range Plan is the responsibility of PS&PCS.

The ADP objectives of the Office of Computer Sciences are as follows:

a. To provide the most cost effective and timely computer service to the greatest possible range of SBA users.

b. To improve/expand service to OCS's users and reduce delays in service delivery.

c. To comply with appropriate Federal legislation and regulations.

d. To protect confidentiality of sensitive information.

e. To respond to user priorities and comply with required schedules.

f. To ensure quality control/accuracy of data handled and processed.

g. To ensure continuity of operations under adverse conditions.

h. To protect the integrity of user data and systems.

i. To prevent misuse of data/systems for illegal/unethical purposes.

j. To review complex problems/situations, evaluate the consequences of alternatives, and select optimal solutions.

k. To maximize the use of advanced technology, reduce costs and facilitate ease of use.

l. To maximize utilization of computer-related resources, but not to the detriment of ADP performance.

m. To deliver services as needed at the user's convenience, not that of OCS.

n. To acquire and retain quality personnel, and minimize staff turnover.

o. To maintain a continuous planning process to anticipate changes/needs with minimal impact.

p. To remember that the ADP systems which we design are for the benefit of the end users, not for OCS, and to involve users in each phase of system development to ensure the end product meets the user's needs.

q. To provide users with data for local control of information resources.

PROCEDURES

OCS internal policies and procedures will normally be in the form of Policy and Standards Manual (PSM) subjects. Those which pertain to personnel outside OCS will be issued as SBA SOP's (SOP 90 51, for example). In cases where a PSM subject is inappropriate, policies/procedures may be issued in memorandum format signed by the Director. These will be included in the PSM upon republicaton or revision of the appropriate section.

Overall staff responsibility for the PSM is assigned to the Plans, Standards, and Project Control Staff. At a minimum, standards and controls will be developed for the following areas:

a. ADP performance response time and product delivery

b. Quality control

c. Degree of flexibility in systems design to provide for reasonable changes in requirements

d. Security

e. File protection

f. Recovery

g. Backup

h. Auditability

i. Routine scheduled systems review

j. Systems development

k. Programming

l. Testing

m. Documentation

n. Training

o. Operational procedures

p. Determination of priorities

DELIVERY OF ADP SERVICES

The mode of delivery of ADP services to meet the needs of users will be through in-house facilities and furnished to the user for their local control. This will be reviewed as circumstances change. Exceptions will be on a one-for-one basis, (e.g., PASS), which cannot be accommodated on in-house equipment.

The goal of OCS is to put information resources into the hands of the user. During FY 84, we began prototyping a decentralized support environment. Given prototype success, our systems will be decentralized as much as possible, during Fiscal Years 1985 and 1986.

More and more production will be shifted to the user, whereby he/she will select and initiate runs using remote microcomputers at his/her site. Standards and controls will be developed as required, in areas of security, privacy, file integrity, etc., prior to entering this environment.

FUNCTIONAL/TECHNICAL RESPONSIBILITIES

Generally, functional responsibilities for this Agency may be found in the Small Business Act, 15 U.S.C. 634, 13, January 1981. These responsibilities are stated, in part, in Section 5(b)(c) and paraphrased as follows:

> "Develops plans, systems, procedures, and standards for effective implementation of data management programs, including emergency preparedness activities. Develops data management and information systems and procedures to effectively strengthen and improve the planning, program evaluation, loan accounting, management assistance, procurement assistance, minority small business, and internal accounting and personnel functions of the Agency. Responsible for the development of plans, operating procedures, and standards to effectively strengthen and improve the provision and management of data processing, data communications, computer systems analysis, and management science services within SBA." Specifically, the responsibility and procedures

for development, review, and maintenance of the standards for OCS may be found in Chapter 1 of the OCS PSM. (Please see Annex A) General organization and functions are contained in PSM 2.1.1. (Please see Annex B).

INFRASTRUCTURE

The current OCS organizational structure appears to support the objectives and future goals at this time. The organizational structure of OCS will be reviewed at least yearly, or when significant changes occur within the Central Office, to determine whether changes to the organizational structure are required. In addition, processing improvements may dictate changes in the OCS organizational structure. Some OCS resources will be post-of-duty in the field to support localized information processing.

STAFFING/SPACE

At present, both office space, and staffing are totally inadequate for mission performance. Office space is fragmented between separate locations and floors of the Central Office. In addition, parts of some branch/staff are located in the area of another branch/staff. Space should be contiguous by branch/staff and located on the same floor of the Imperial Building. Based on past efforts there appears little chance of an optimal solution to the space problem. Staffing is probably the most acute problem facing OCS management. The Operations Branch, Information Systems Branch, and Network Systems Branch are severely understaffed. OCS is heavily staffed by contractors.

MONITORING

Existing standards and controls are applicable to all work accepted by the Office of Computer Sciences. SOP's 90 45 and 90 51 form the basis for OCS review of new projects. Methods responsibility for ensuring proper use of standards and controls resides in branch/staff management. Oversight responsibility is vested in the Director and may occur through Systems Review Board meetings, Internal Reviews, or special studies.

The cost effectiveness of developmental projects will be jointly monitored and evaluated by the branch/staff chiefs and the user, using data furnished by OCS. For contractual efforts, meetings will be held at frequent intervals to ensure the project is being completed in accordance with the cost estimates.

Operational costs will be monitored by the user using data furnished under the provisions of OBM Circular A-121. In addition, cost studies of operational costs are required by OMB Circular A-76 (Contractor vs. In-House Operation). As stated previously, one of

OCS's objectives is to provide the most cost-effective computer service to our customers.

For the delivery of services, a daily report for recurring production will be produced showing which systems are on schedule or behind schedule. For developmental projects, the User Request Status Report will be furnished each user showing the current status of their User Request. In addition, monthly meetings will be held between OCS managers (systems) and the users of our services. The users will be encouraged to comment upon the manner in which OCS is servicing their needs. A memorandum will be forwarded to the Director after each meeting showing attendees, major subjects or systems discussed, and the level of satisfaction/dissatisfaction of user attendees.

The standards and controls in place or developed by the Office of Computer Sciences will strictly adhere to standards and guidelines published as Federal Information Processing Standards (FIPS) publications. Copies of FIPS publications are maintained by the Plans, Standards, and Project Control Staff.

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SECTION III

FIVE-YEAR PLUS PROJECTIONS

EQUIPMENT UPGRADE/AUGMENTATION

FY 85 - Provides for initiatives continuing from past years, together with significant new efforts being started. Efforts will be directed toward the acquisition of minicomputers compatible with the mainframe in each Region and area Disaster Office for the accessing and processing of financial data. There will also be the acquisition of a new front-end processor and microcomputers to respond to local processing needs and increase productivity. This will necessitate an upgrade of all communications hardware. See Annex C for acquisition process. Benchmarks will be conducted to guarantee that the hardware and software will perform as stated in the RFP. In accordance with the Director's budgetary guidance for FY 1985, contractual assistance will be required in all phases of RFP preparation for the above efforts. Extensive training will have to take place for OCS personnel, as well as users, to take advantage of the capabilities of the new hardware and software. Eight additional disk units with appropriate interfaces will be required to handle the growth of the Agency database. Two additional medium-speed printers will also be required to route listings directly to personnel in other locations. A modern tape storage system should be procured to replace the current failure-prone old equipment.

FY 86 - All mini/microcomputer efforts will continue with a target of down loading data on a daily basis to the minicomputers. The central host network will remain in place during this time. Several database machines will be evaluated. There will be an expanded use of color graphics. Detailed planning for the selection of a replacement alternate site (COOP) must be completed and the plan updated as necessary. An additional Input/Output Unit will be required to increase the performance of the disk units.

FY 87 - FY87 will heavily emphasize training. There will be an upgrade of the existing computer room hardware in the Central Office, as well as possible upgrades of some of the minicomputers.

FY 88 - By Fiscal Year 1988, the number of one-time or single production requests should continue to grow and be performed by the end users, in a distributed processing mode utilizing mini and standardized personal computers.

FY 89 - Requirements and initiatives begun in prior fiscal years will continue. Normal growth in network equipment with concentration on performance measurements, evaluation, and fine tuning of network equipment will occur.

DATA BASE/COMMUNICATIONS NETWORK ENVIRONMENT

FY 85 - Down line loading of programs and data to some regional sites, and refreshing these regional data bases with changed data will be emphasized. Another large project will be to do a competitive procurement for replacement of all existing network equipment with microcomputers. Additional terminals (microcomputers) will

also be added to those field offices with high usage. An upgrade of communications equipment will be required to implement the minicomputer concept.

Database projects include the optimization of the Loan Accounting/Collection database, inclusion of the data of the Small Business Development Centers into the Management Assistance database, and the development of the disbursement and delinquent loan collection databases. Development of a data dictionary to encompass all systems in the data base environment will be initiated. New systems will be added to the network, and system improvements will be tested and added to the network. The contract for network maintenance will have to be recompeted (RFP).

FY 86 - Fiscal Year 1986 will be a productive year, in that new design or redesign of data base systems will continue. Contractor support will be required for system, data, and data base expansion. Efforts will continue towards down loading data on a daily basis.

All terminal network equipment will be at the end of its currently predicted systems life at that time and will have been replaced with microcomputers.

FY 87 - Most of the one-time or single-production requests should be performed by the end users, either in a distributed processing mode, or through use of special user-oriented software packages.

FY 88 - General predictions are: New communications methods will have been discovered and perfected; 2) costs of network operation will not decrease; and 3) network stability will be improved. It is also expected that new technological advances in the storage and accessing of data will have occurred, necessitating changes in the data base methodology currently employed.

FY 89 - Requirements and initiatives begun in prior fiscal years will continue. Normal growth in network equipment with concentration on performance measurements, evaluation, and fine tuning of network equipment will occur.

APPLICATIONS DEVELOPMENT

FY 85 - A major new effort that began in FY 84--the use of mini and microcomputers in the SBADCS network to access data on the SPERRY 1100/82--will continue. This new technology will continue to be heavily developed, enhanced, and exploited. This effort will make the data available at the user level to satisfy their localized needs. A new payroll system will be fully implemented which will reduce work load and eliminate the need for supplemental pay cycles. A new system to make the check-issuing process more efficient will be fully implemented. All modifications to the automated Internal Control and Review System in support of OMB Circular A-123 will be implemented. Enhancements will continue on the paperless loan servicing/debt collection environment. An Automated Allotment System to improve fund accountability will be designed.

FY 86 - Preparation will begin to fully describe all applications in a manner consistent with the requirements for increased use of micro/minicomputers that permit more user involvement in satisfying their own data processing needs. Some of the early systems converted to data base (FY83/84) may be revised or rewritten during FY86, as required, to take advantage of new concepts.

FY 87 - The applications development resources of the Office of Computer Sciences will be concentrated on continuing those efforts in support of making information resource available to the user. Heavy emphasis will be placed on individual training so that programmer/analysts will be able to assist the users as much as possible.

FY 88-89 - ISB's work load will change from its current developmental and maintenance mix to one that is 80 to 90 percent developmental. ISB will function as SBA's software developer for special complex functional applications for individual users and as the sole developer and maintenance agent for any applications that are applicable to more than one area of SBA.

OPERATIONS

FY 85 - Performance measurement and capacity planning will receive heavy emphasis. The Univac 1100/82 systems tuning will be of prime importance in order to process the growing work load. The down loading of data to the regional minicomputers is expected to shift some of the central processor work load. Work will be performed in the refinement of systems and procedures for operation of the minicomputers at regional sites. Some air-conditioning equipment (8 years old) will be replaced during FY84.

FY 86 - Fiscal Year 1986 is expected to be a year of fine tuning the hardware and gaining experience in the capabilities, strengths, and weaknesses of the distributed environment. Additional equipment may be ordered to provide as much capability as possible in the new configuration. Off-site operations will be considered and planned accordingly. The greatest portion of the additional work load will fall to the computer operations/systems software function. The remaining antiquated air-conditioning equipment must be replaced.

FY 87-FY 89 -Training of computer operators and software specialists (extensive), will receive heavy emphasis. Detailed plans will be developed to ensure the least possible interruption to service.

STAFFING

FY 85 - A status quo position is assumed for Fiscal Year 1985. With the initial installation of a distributed environment in Fiscal Year 1985, data processing operators in each region will be required for the first time. This will be accomplished by the retraining of current regional personnel, and may allow upward mobility for individuals in dead-end jobs.

FY 86 - Status quo for positions is assumed for FY 86.

FY 87 - A slight increase in OCS staffing is anticipated as a result of the distributed environment. As planned, expansion of the SBADCS network will result in the requirement for additional personnel in the network planning development area.

FY 88-FY 89 - Initiatives begun in prior fiscal years, plus normal growth in network equipment/applications, will thus form the basis for personnel staff requirements for FY 88 as well as FY 89.

OMB CIRCULAR A-76 COMPLIANCE

FY 84-FY 89 - Activity in the area of A-76 compliance during FY 84 through FY 89 will largely depend on the revised OMB A-76 and subsequent SBA policy guidance. In that the implementation deadline has been changed from September 30, 1984, to September 30, 1987, if extensive studies are required, it will be necessary to procure contractor support to perform the studies.

OMB CIRCULAR A-121 (CHARGE BACK)

FY 85-FY 89 - Minor changes to the Charge Back System will be made in Fiscal Year 1986 through Fiscal Year 1989 to adjust budgetary costs, hardware changes, etc.

OMB CIRCULAR A-123 (INTERNAL CONTROL)

FY 84 - OMB Circular A-123 pursuant to the Federal Managers' Financial Integrity Act of 1982, prescribes policies and standards to be followed by Executive Departments and agencies in establishing internal controls in their program. Accordingly, a planned requirement has been established that responsibilities under A-123 will be reflected in all OCS SES and merit pay performance objectives.

FY 85-FY 89 - All efforts in supporting internal controls will continue.

SECTION IV

BUDGETARY PROJECTIONS

SMALL BUSINESS ADMINISTRATION

FY 1986 OMB SUBMISSION

RESOURCE MANAGEMENT

OFFICE OF COMPUTER SCIENCES
($ in Thousands)

			1986		
	1984	1985	Reduced	Current	Requested
Permanent Positions					
Central Office	81	81	89	91	94
Field	-	-	-	-	-
Total	81	81	89	91	94
Temporary Positions					
Central Office	6	3	3	3	3
Field	-	-	-	-	-
Total	6	3	3	3	3
Salaries and Expenses					
Compensation	$2,898	$2,992	$2,997	$3,090	$3,308
Benefits	305	317	325	330	344
Travel	158	158	105	147	243
Transportation	100	100	28	40	96
Rents & Comm.	3,331	3,331	5,058	5,833	8,618
Printing	90	90	229	233	244
Other Services	6,191	4,191	4,669	5,565	9,679
Supplies	100	100	457	468	498
Equipment	10	10	558	675	4,225
Total	13,183	11,289	14,426	16,381	27,255
Long Range Planning	1987	1988	1989	1990	
Personnel	121	139	139	144	
Salaries & Expenses	$29,980	$32,978	$36,276	$39,904	

OFFICE OF COMPUTER SCIENCES
FY 1986 BUDGET
ADDENDUM FOR
ADDITIONAL FY 1985 FUNDS REQUESTED

Object Class	Description	Amount
2300	Rents and Communications	
	Operations Branch:	
	Procurement of eight (8) additional disk units for the 1100/82 using dual controller and cache memory with FIPS adapter. The additional disks are targeted for Agency database growth. Lease Cost:	120,000
	Procure a device to test magnetic tapes for defects prior to reusage. Current defect rate is very high.	17,000
	Funding to procure approved microcomputers for S&CSS. Microcomputers are for testing software and utilizing data originally stored in a main-frame format.	22,000
	Two (2) additional small printers (0789) are required to route small listings directly to personnel in the Data Control Unit.	25,000
	Procure an Input/Output Unit (IOU) to provide multiple I/O paths and increase performance for additional disk units on the 1100/82.	155,000
	For the procurement of TORCH/PMS performance software to maintain historical data on machine activity and to project equipment needs.	26,000
	Network Systems Branch:	
	For the unanticipated acquisition of a 6th WANG OIS System in FY 1985 to meet the needs of the Office of the Administrator. Additional amount needed:	20,000
	For the upgrade of CODEX statistical multiplexers and MODEMS required by the implementation of 31 SBDC's in the SBADCS. Additional amount needed:	100,000
	Total Object Class 2300	485,000

Object Class	Description		Amount
2500 Other Services			
Operations Branch:			
For the construction of containers for programmers to pick up listings. This will streamline the method of distribution of printout to programmers.			4,000
Network Systems Branch:			
Consultant support to develop RFP for competitive procurement of minicomputers, microcomputers, FEP and network communications equipment.			750,000
Data Base Administration Staff:			
In the Data Base Administration Staff area funds are needed in FY 1985 for the following projects:			
Maintenance of the Agency database including expansion of the database to support additional requirements and new systems; optimization of the existing structure; and upgrading of software to allow for integrated recovery.		250,000	
Development of comprehensive Data Dictionary information for all existing systems.		150,000	
Evaluation of Database machines and their impact on the SBA environment.		200,000	
	Total	600,000	
Funds available in FY 1985 budget		350,000	
Additional FY 1985 funds needed			250,000
Plans, Standards, and Project Control Staff:			
Contractor costs for the full support of the mandated OMB Circular A-123. This will ensure the compliance of OCS and the continued development and implementation of internal controls.			75,000
Contractor costs for the development of an ADP master plan which details the long range requirements and the technical means to accomplish each.			60,000

Object Class	Description		Amount
	Contractor costs to conduct a risk analysis of the physical computer facility. This is needed to ensure that all ADP resources in that area are adequately protected against natural or man-made destruction.		10,000

Information Systems Branch:

The Information Systems Branch made a major effort in FY '84 to increase the level of support to the financial systems. These efforts will continue to be directed along three approaches, i.e., enhancing existing systems, developing new systems and exploiting new technology via micros, minis, and distributive processing. Tremendous advances have been realized in the last 18-24 months. To keep the momentum and progress going will require additional funds, in order to obtain the degree of success desired. In terms of enhancing systems, the Surety Bond Guarantee and the Payroll systems will be completed. New applications include an Automated Allotment System to improve fund accountability, plus continued development of a paperless Debt Collection System. Projects involving new technology are related to the Information Center that was established in the Central Office in FY '84 and that will be expanding to the Regional Offices in FY '85. Although our primary support is to the financial systems, we also provide support to other program areas. Because of the restriction on permanent staffing, it is imperative that funds are available to augment our in-house staff with contractors in order to provide the ADP support required by the Agency. Without the additional funds, some projects will be slowed and others will be eliminated. Both of these prospects are unacceptable if we are to reach the goal of being able to provide management with accurate information in a timely manner.

Funds requested in FY 1985 budget	3,368,000	
Funds available in FY 1985 budget	1,940,500	
Additional FY 1985 funds needed		1,427,500
Total Object Class 2500		2,576,500

Object Class	Description	Amount
3100 Equipment		
Operations Branch:		
	Purchase a modern tape storage system to replace current Diebold Storage system. The current system is failure-prone, and a full maintenance contract cannot be obtained for this old equipment.	60,000
	Purchase replacement air-conditioning equipment for the data center. The current equipment is old and getting unreliable, thereby jeopardizing continuous computer operations.	115,000
	Total Object Class 3100	175,000
	Total All Object Classes	3,236,500

SMALL BUSINESS ADMINISTRATION

MAJOR COMPUTER ACQUISITION PLANS

19CY - 19BY + 4

Item: Procurement of minicomputers, microcomputers, and front-end processor

Obligations:	19CY	19BY	19BY+1	19BY+2	19BY+3	19BY+4
	7,000	5,000	1,300	1,300	1,300	1,300

Description: Purchase, rental and maintenance, and support costs associated with procurement of a distributed processing environment.

SECTION V

ANNEXES

ANNEX A

PSM 1.1.1 (ADMINISTRATION)

*This Transmittal supersedes Transmittal #1 Dated June 30, 1980.

CH	SEC	SUB	PG
1	1	1	1

OFFICE OF COMPUTER SCIENCES

POLICY AND STANDARDS MANUAL

CHAPTER: ADMINISTRATION — 1

SECTION: POLICY AND STANDARDS MANUAL SYSTEM — 1

SUBJECT: POLICY AND STANDARDS MANUAL SYSTEM DESCRIPTION — 1

DATE ISSUED: July 10, 1984

PURPOSE:

1. To prescribe the types of publications used to issue policy, instructions, and information in order to conduct the business and administration of the Office of Computer Sciences (OCS).

SCOPE:

2. The Policy and Standards Manual (PSM) System is an effective body of policies and standards which requires a continuing creative effort toward new ideas and solutions for office operating problems by personnel directly involved in these operations. New ideas and solutions must be organized and presented in a manner that achieves uniform understanding and interpretation. Users of procedures and standards play an important role by simultaneously adhering to prescribed procedures and by generating suggestions on how they may be improved.

POLICY:

3. It is the Office of Computer Sciences' policy to maintain a forceful, creative, single, and uniform system for developing and issuing administrative, technical, and operational instructions and information.

OBJECTIVES:

4. The Policy and Standards Manual (PSM) provides a common frame of reference for all personnel in OCS. It establishes the recommended principles and practices for development, processing, and control of data processing systems and services performed by OCS. Objectives of the PSM are:

   a. To improve communication effectiveness among OCS personnel, strengthen administrative operations, and insure a consistent approach to OCS problems.

   b. To provide intra- and inter-office guidelines.

   c. To establish uniform standards.

   d. To establish a basis for control of all data processing activities.

   e. To outline OCS objectives and further the understanding of its purpose, goals, and ideals.

f. To use the PSM as a training document for new employees and an informative guide to users of the services provided by OCS.

g. To increase the competence of supervisors and managers.

h. To serve as a catalyst for new ideas.

APPLICABILITY:

5. The policies, procedures, and standards in the PSM system are applicable to all personnel in OCS and to all phases of OCS activities.

TYPE OF PUBLICATIONS:

6. The publications listed below will be used to issue policy, instructions, and information applicable to OCS and SBADCS network users and are an integral part of the Policy and Standards Manual System.

a. The Policy and Standards Manual

b. Technical Bulletins

c. Teleprocessing Bulletins

d. SBADCS Users Manual

DESCRIPTION OF PUBLICATIONS:

7. a. Policy and Standards Manual (PSM). This publication contains policies, instructions, and information of a continuing nature. It is published at the direction of the Director, OCS. Changes to this manual will be released by a Change Transmittal which has been authenticated by the Director, OCS. Each issuance is effective from issue date unless otherwise indicated.

b. Technical Bulletins. These notes expedite information and instructions for improving programming techniques and effectively utilizing software to the user level. When appropriate, information contained in the notes will be republished in the PSM on the next update cycle. Technical Bulletins are normally informational in nature, although they may contain policy directives after prior coordination with affected parties and authentication by the Director, OCS. Publication and distribution is the responsibility of the Chief, Plans, Standards, and Project Control Staff (PS&PCS).

c. Teleprocessing Bulletins. These bulletins provide progress and status information to network users. They are prepared periodically by the Network Systems Branch (NSB) and are approved by the Chief, NSB prior to formal release of any information. The Chief, NSB will coordinate permanent changes/policy if appropriate.

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d. SBADCS Users Manual. This publication contains information on the operations of the SBADCS network. It includes information on communications facilities, terminal/printer operation, and information on how to operate the applications systems included in the network. The Chief, NSB is responsible for publication and distribution of this publication. Other Branches/Staffs will furnish appropriate information (i.e., data base information, application systems operations).

ANNEX B

PSM 2.1.1 (ORGANIZATION & FUNCTIONS)

CH	SEC	SUB	PG
2	1	1	1

OFFICE OF COMPUTER SCIENCES

POLICY AND STANDARDS MANUAL

CHAPTER: MANAGEMENT STANDARDS — 2

SECTION: ORGANIZATION AND FUNCTIONS — 1

SUBJECT: ORGANIZATION AND FUNCTIONS OF OCS — 1

DATE ISSUED: April 21, 1983

PURPOSE:

1. This subject prescribes the internal organization and functions of the Office of Computer Sciences (OCS).

ORGANIZATION:

2. The OCS organization chart is at Appendix I.

FUNCTIONS:

3. Functions of individuals and organizational elements are described in the following paragraphs.

4. OFFICE OF THE DIRECTOR

The Office of the Director consists of the Director and the Executive Assistant.

A. The Director is responsible to the Assistant Administrator for Administration and performs the following duties:

1. Serves as chief consultant and advisor to SbA on matters involving data processing support.

2. Directs and supervises the operation and administration of the Office.

3. Provides long-range planning and budget guidance.

4. Establishes office goals, policies, objectives and measurement criteria.

5. Directs and coordinates all office activities and programs.

6. Guides efforts of OCS into areas of greatest mission accomplishment.

7. Approves OCS budget before submission.

8. Allocates funds to OCS elements.

9. Serves on committees and working groups, as required.

10. Selects key subordinates and initiates all related personnel actions.

11. Trains and develops subordinates.

12. Establishes work priorities and/or provides necessary guidelines for developing priorities.

13. Maintains contact with other elements of the Small Business Administration to ensure that the data processing support being provided meets their mission and their functional and legal requirements.

B. The Executive Assistant is responsible to the Director and performs the following functions:

1. Responsible for ensuring policies and procedures for administrative matters are adhered to within OCS.

2. Coordinates and summarizes any internal administrative problems within OCS.

3. Coordinates OCS personnel management services; such as, planning, advising and procedural requirements for organizational requirements; appointments; reassignments; promotions, position classifications; etc.

4. Advises the Director of present or potential staffing problems by preparing a variety of reports.

5. Coordinates with the Office of Personnel and provides guidance to all organizational elements within OCS in personnel matters.

6. Participates with other organizational elements in management surveys and studies affecting the operations of OCS. Recommends modifications in procedures to improve the functioning of the office.

7. Conducts surveys and studies as to standards and manpower planning within OCS.

8. Advises management on how to improve clerical employee capabilities through in-service and formal training. Acts as an advisor to clerical personnel.

9. Disseminates information to all echelons of the organization in order to alert them of special reporting requirements, consolidates responses and prepares the official office reply for the Director's signature.

10. Provides guidance to Staff and Branch Chiefs regarding office services, correspondence, directives, etc.

11. Attends management meetings, addresses current major developments and provides advice and direction regarding impact with OCS on administrative matters.

12. Controls all reports required in OCS. Responsible for the final submission, editing, and ensuring that deadlines are met for all correspondence signed by the Director, as well as all documents, reports, PSMs, etc., which are distributed through the office of the Director.

5. DATA BASE ADMINISTRATION STAFF

The Data Base Administration Staff is responsible to the Director and performs the following functions:

A. In consultation with the Information Systems Branch, Operations Branch, and Network Systems Branch, selects and directs the installation of database management system (DBMS) software.

B. Participates with other OCS functions in planning the evolution of the Agency database(~).

C. Monitors the database(s) with full recognition of the Freedom of Information Act and the Privacy Act while ensuring control of access and manipulation of data by authorized users.

D. Controls the organization, integrity, privacy and access to the Agency database(s).

E. Designs the physical structure of the database(s) to effectively meet the logical data needs of its users, assuring current information is appropriate to their needs.

F. Defines database structure, data conventions, access policy, restart and recovery policy, and, in conjunction with the Mass Storage Manager, the physical distribution of the database files over the available devices.

G. Generates database(s) definition, including data elements, groups, and relationships.

H. Maintains the database definition, including restructuring and reorganization. Evaluates and recommends techniques to facilitate the reorganization and restructuring processes.

I. Recommends policies and standards, and establishes procedures on matters pertaining to the physical design, development, maintenance, and operation of the database.

J. Establishes procedures to ensure that the database(s) can be restored in the event of destruction or damage.

K. Coordinates with the Agency ADP Continuity of Operations Plan (COOP) to ensure the continuation of essential operations during emergency conditions.

L. Ensures that database standards, procedures, and rules are being adhered to and enforced.

M. Recommends the installation of both software (e.g., passwords, data scrambling) and physical security procedures to ensure that database security is maintained. Coordinates closely with the Office of the Inspector General and the Security Committee in this regard.

N. Participates with analysts in the test and acceptance of applications using the database.

O. Directs and coordinates the development of the database Directory/Dictionary, having its contents accessible to all legitimate users.

P. Provides technical direction and assistance to subject matter users and technical staffs in the concepts and applied usage of the database(s).

Q. Advises the Director, Office of Computer Sciences, on aspects of the database(s).

6. PLANS, STANDARDS, AND PROJECT CONTROL STAFF

The Plans, Standards, and Project Control Staff is responsible to the Director and performs the following duties:

A. Develops office policies and procedures to improve services provided by the Office of Computer Sciences. Recommends adoption of such policies and procedures to the Director, OCS. Prepares orders and instructions to implement approved plans and policies of the Director, OCS.

B. Develops and controls the implementation of both short- and long-range plans designed to further the programmatic thrusts of the Agency.

C. Interfaces with computer security specialists in the Office of the Inspector General to develop routines and procedures to safeguard the Agency's assets. Issues office regulations providing specific guidance on all aspects of security.

D. Records and controls all contracts, purchase orders, and related documents within OCS to provide total fund control for activities within the area of responsibility of OCS. Provides periodic reports as to status of obligations, disbursements, etc., to ensure strict compliance with all appropriate regulations. Notifies each branch/staff regarding renewal of requisitions.

E. Acts as initial point of contact for new customers desiring services from OCS. Refers ADP users to appropriate organizational element, seeking guidance from Director, OCS, if controversy exists.

F. Records and controls all Data Management Requests for information services directed to OCS. Logs requests, directs to appropriate organizational element for action, and monitors status of each request until completion.

G. Prepares statistical analyses for the Office Director as to work distribution, program error rates, vacancy rates, etc. Responsible for special reports required for management of the Office, as assigned by the Director.

H. Responsible for soliciting training needs from branch/staff chiefs on a yearly basis, or as often as special needs dictate. In coordination with the

Director, Office of Personnel, provides training information to OCS management for their use in scheduling training. Provides the Director, OCS, with periodic reports as to how well training plans are being implemented.

I. Responsible for assembling, coordinating, reconciling, and summarizing for presentation the OCS portion of the annual budget. Maintains detailed backup for defense of all budget items. Provides assistance to Director, OCS, in incrementing or decrementing budget as funds permit.

J. Responsible for publishing written procedures to provide a quality assurance program for the OCS, to include all hard copy, terminal displays, system network development, and major systems efforts. Schedules periodic Systems Design Review Boards to be chaired by the Chief, PS&PCS.

K. Directs and participates in periodic internal reviews of elements of the Office of Computer Sciences. Pepares findings and recommendations for action by appropriate staff and branch chiefs and the Director, OCS.

L. Responsible for OCS hardware and software procurements, to include preparation of technical specifications for Procurement Requests, and benchmark tests, if appropriate.

M. Responsible for reporting SBA ADP Equipment Inventory to General Services Administration. Acts as Agency point of contact with General Services Administration on excess equipment and requests for ADP Service (GSA 2068).

N. Develops special initiatives and projects to improve the mission performance of the Office of Computer Sciences.

O. Chairs and/or furnishes members to groups appointed to investigate and resolve technical problems with immediate or long-range impact on the Office of Computer Sciences. Furnishes interim and final reports to the Director, OCS.

P. Responsible for issuance of computer passwords and updating of transaction password files.

7. INFORMATION SYSTEMS BRANCH

A. Information Systems Branch performs the following functions:

1. Analyzes SBA User Requests (UR's) to determine feasibility, completeness and cost/benefit return.

2. Develops automated systems and programs to support a variety of Agency users in satisfying their accounting, reporting, and statistical needs.

3. Modifies, as required, and maintains a large number of application programs which are utilized daily in support of the SBA mission.

4. Develops, maintains, and utilizes test records and transactions and conducts comprehensive program testing to verify accuracy of modifications or new programs.

5. Develops and publishes OCS Standards for program/system documentation.

6. Develops, maintains, and publishes system and program documentation in line with required OCS standards.

7. Participates with other concerned OCS functions in identifying and solving operational problems as they occur and helping in data recovery when necessary.

8. Provides quick response in producing detail and summary statistical reports through the use of report generators for the White House, Congress, private sector, etc.

9. Monitors the productivity and technical competence of the contract personnel obtained to augment the SBA in-house resources.

10. Develops internal application security/password features and files to include backup and recovery procedures for the password files. In conjunction with the user and the OCS Security Officer, establishes the point of control for maintaining any internal password files that are created.

11. Conducts and participates in special project groups for which system analytical and/or programming expertise are required.

12. Participates in the evaluation and makes recommendations regarding the purchase of software packages (report, retrieval, test data generators, etc.) that may be useful in the applications area.

13. Establishes procedures and develops the methodology to be employed in designing new systems and in migrating to new technologies.

14. Serves as the Contracting Officer's Technical Representative (COTR) for new systems being developed by contractors by performing the following tasks:

    a. Assuring administrative responsibility for the monitoring, controlling, and evaluation of contractual services.

    b. Providing a liaison between the functional user, various elements within OCS and the contractor.

15. Designs and coordinates with the functional users and the DBAS the conceptual and logical design of databases to ensure they effectively meet the requirements.

16. Ensures that system design and programming standards, procedures, and rules are being adhered to and enforced.

17. Educates subject matter users in the concepts and applied usage of data processing technologies.

18. Responsible for project planning, management, control and coordination to ensure that systems being developed or modified adhere to OCS' long-range ADP evolution goals.

19. Coordinates closely with the Office of the Inspector General and the Security Committee to ensure that the systems meet established security standards.

20. Participates, as required, with the DBAS and Operations in the recovery of data and to ensure that backup and the Continuity of Operations Plan (COOP) is enforced.

21. Develops plans, procedures, and standards to strengthen and improve SBA's management information systems, reporting and statistical management programs.

22. Develops and recommends policies concerning the Agency's management information systems.

23. Develops and maintains a system of periodic reviews of Central and field offices as they impact the management information system.

24. Maintains official SBA program statistics. Prepares or authenticates all replies to internal and external requests for data, including inquiries from Congress, testimony for hearings, White House requests, and private sector inquiries.

25. Provides periodic and special statistical reports and analyses to the Administrator, assistant and associate administrators and other managers on activity performance. This includes the statistical analysis of program performance and comparison with plans and goals.

26. Coordinates in the development of automated systems to gather and retrieve financial and management information.

27. Monitors and evaluates current data systems and related reporting procedures. Conducts training seminars for field personnel in procedural implementation for processing data in all SBA's information systems.

28. Makes recommendations for changes in current and proposed data systems for more effective and efficient data collection and utilization.

29. Develops and prepares periodic and special reports for OMB and Congressional Committees.

30. Assists all program officials, as requested, in special projects and in development of reporting systems for measuring progress and effectiveness of their various program objectives and goals.

B. Administrative and Accounting Section performs the following functions:

1. Analyzes Agency User Requests (UR's) to determine feasibility, completeness, need for automation, and cost/benefit return.

2. Develops automated systems and programs to support a variety of Agency users in satisfying their information needs.

3. Modifies, as required, and maintains a large number of application programs which are utilized daily in support of the SBA mission.

4. Develops, maintains and utilizes test records and transactions and conducts comprehensive program testing to verify accuracy of modifications or new programs.

5. Develops, maintains and publishes system and program documentation in line with required OCS standards.

6. Participates with other concerned OCS functions in identifying and solving operational problems as they occur and helping in data recovery when necessary.

7. Provides quick response in producing detail and summary statistical reports through the use of report generators for the White House, Congress, etc.

8. Monitors the productivity and technical competence of several contractors and the contract personnel obtained to augment SBA in-house resources.

9. Conducts a variety of special studies as assigned; i.e., the value of a package to provide automated documentation, the value of establishing a client identification system within SBA, database, etc.

C. Information and Systems Support Section performs the following functions:

1. Analyzes Agency User Requests to determine feasibility, completeness, need for automation and cost/benefit return.

2. Develops automated systems and programs to support a variety of Agency users in satisfying their information needs.

3. Modifies, as required, and maintains a large number of application programs which are utilized daily in support of the SBA mission.

4. Develops, maintains, and utilizes test records and transactions and conducts comprehensive program testing to verify accuracy of modifications or new programs.

5. Develops, maintains, and publishes system and program documentation in line with required OCS standards.

6. Participates with other concerned OCS functions in identifying and solving operational problems as they occur and helping in data recovery when necessary.

7. Provides quick response in producing detail and summary statistical reports through the use of report generators for the White House, Congress, etc.

8. Monitors the productivity and technical competence of several contractors and the contract personnel obtained to support the SBA in-house resources.

9. Develops plans and procedures for design and establishment of financial and management information systems, both automated and manual.

10. Conducts a variety of special studies as assigned; i.e., the value of a package to provide automated documentation, the value of establishing a client identification system within SBA, etc.

11. Develops, updates, and coordinates the production of special statistical charts and reports, as required, including supplements to the SBA Annual Reports.

D. Special Systems Section performs the following functions:

1. Analyzes Agency User Requests (UR's) to determine feasibility, completeness, need for automation and cost/benefit return.

2. Develops automated systems and programs te support a variety of Agency users in satisfying their information needs.

3. Modifies, as required, and maintains a large number of application programs which are utilized daily in support of the SBA mission.

4. Develops, maintains and utilizes test records and transactions and conducts comprehensive program testing to verify accuracy of modifications or new programs.

5. Develops, maintains and publishes system and program documentation in line with required OCS standards.

6. Participates with other concerned OCS functions in identifying and solving operational problems as they occur and helping in data recovery when necessary.

7. Provides quick response in producing detail and summary statistical reports through the use of report generators for the White House, Congress, etc.

8. Monitors the productivity and technical competence of the contract personnel obtained to support the SBA in-house resources.

9. Conducts a variety of special studies as assigned; i.e., the value of a package to provide automated documentation, the value of establishing a client identification system within SBA, etc.

8. OPERATIONS BRANCH

A. The Operations Branch develops plans and operating procedures to effectively strengthen and carry out the Agency's computer operations. Overall responsibilities include all functions required to carry out the day-to-day management of the Agency's Automatic Data Processing System, including backup and recovery of critical files (COOP). Develops and publishes standards in the area of Operations Section documentation requirements.

B. The Operations Section performs the following functions:

1. Staffs the Agency computer center and operates the ADP and peripheral equipment.

2. Staffs and operates the computer tape library to include the management and maintenance of the magnetic tape inventory.

3. Controls the production cycles of both recurring and non-recurring systems to include the receipt and release of program decks, data, and hard copy printed output.

4. Controls the physical security and access to the computer operations complex to maintain the Agency's "closed-shop" policies.

5. Designs and updates the computer center to include equipment added or replaced.

6. Conducts formal training programs for computer operator personnel.

7. Maintains inventory and initiates requests for computer supplies, paper, ribbons, and magnetic tapes and all other ADP supplies required to support the Agency's work load.

8. Establishes and maintains continuing liaison with SBA program and staff offices that are being serviced and with other components of the Office of Computer Sciences to ensure data reliability and integrity during the data processing activity.

9. Maintains current state-of-the-art knowledge to provide a better opportunity to take advantage of improvements and changes in technology.

10. Directs the proper execution and processing of the operating data processing programs of the

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Agency involving input data preparation, data control, computer processing and output. Maintains control procedures for the automated data processing and communication systems.

11. Performs quality control for production output to include report finishing services.

12. Monitors and controls the receipt and release of all Agency production systems.

13. Monitors and controls the receipt and release of all microfilm/fiche requirements.

14. Provides technical assistance and advice regarding source document design, data entry, and data management support for management information systems.

15. Provides reproduction service through the use of xerographic printing system.

16. Maintains a central file of all ADP contracts for the branch.

17. Prepares and processes periodic investment activity reports summarizing SBIC licensing actions, problem companies, program funds, and loan approvals to all SBIC's.

18. Processes, edits and groups report information for computerization on all programs. Corrects and resubmits information and data rejected by computerized systems.

19. Processes and controls input to the loan accounting system. Prepares daily business loan activity summaries. Responsible for analyzing and correcting rejected input to ADP systems.

20. Edits and controls all input documents, involving editing and processing of information for computer tabulation and subsequent correction and resubmission of rejected transactions.

C. The Systems and Communications Support Section performs the following functions:

1. Establishes and maintains standards and procedures for all executive software programming efforts.

2. Conducts research and maintains liaison with manufacturers and professional organizations regarding available software packages and advanced software developments.

3. Determines requirements and specifications for operating systems, systems processors, assemblers, compilers and utility programs for SBA hardware; assures timely availability by adapting existing packages, by monitoring their development under contract, or by actual in-house development.

4. Provides consulting services to both SBA and outside personnel concerning applications and use of systems software. Identifies and resolves problems associated with vendor-supplied software.

5. Conducts training on internally developed or manufacturer-supplied software systems.

6. Maintains routines and libraries to monitor access to system resources to ensure integrity of software and data at SBA.

7. Directs and participates in studies to improve operational efficiency, computer performance, or work load processing.

8. Conducts research and investigates new vendor advances in hardware capabilities to determine candidates for test or installation at SBA in cooperation with branches/staffs.

9. Responsible for the maintenance and extraction of daily and monthly data from system logs which provide OCS management with computer facilities usage information.

10. Installs, maintains, and modifies primary manufacturer-supplied software to include the operating system.

11. Responsible for installation and maintenance of communication controller software. In addition, balances terminal assignments between systems based on internal measurements and Network Systems Branch recommendations and assists in analyzing hardware/software problems.

12. Maintains, installs, and tests software support packages provided by vendors or other installations through software interchanges. Such routines include: graphic or plotting, xerographic printing, data manipulation, statistical data reduction, performance and time-sharing enhancements, and other software utilities/routines.

13. Provides software support for remote batch entry service to OCS customers, to include support of multiple devices, use of small computers as work stations, and automatic interfaces to ensure line integrity and data security.

14. Supports all elements of SBA by procuring or developing generalized software systems which satisfy a broad range of applications software requirements.

15. Responsible for the software modules that make up the teleprocessing systems to include development and maintenance of information retrieval subsystems and software security subsystems.

16. Maintains and tests manufacturer-supplied language compilers (COBOL, FORTRAN, ASSEMBLER, etc.).

17. Develops language interfaces to allow users of higher-level languages to access system capabilities not normally available.

18. Responsible for the technical evaluation, maintenance, and audit trail capability of software routines for the protection of computer-accessible and sensitive data.

19. Provides technical expertise and assistance, as needed, to the SBA Computer Security Officer and OCS Security Manager.

20. Installs and maintains vendor-supplied Data Base Management Software to include supporting utilities, dictionary system, report generators, and query facilities.

21. Installs and maintains all vendor-supplied proprietary software.

22. Acts as Contracting Officer's Technical Representative (COTR) when designated for areas within S&CSS responsibility.

23. Supervises contractor personnel assigned to Systems and Communications Support Section.

24. Coordinates with OCS branches/staffs on the installation and usage of new release of software in use at SBA.

25. Disseminates information received as a result of performance of any S&CSS functions to all OCS personnel.

9. NETWORK SYSTEMS BRANCH

A. The Network Systems Branch performs the following functions:

1. Develops and recommends policies and procedures needed to carry out the functions and responsibilities of the branch including:

   a. Analysis and review of the data communications requirements of SBA's facilities and organizations.

   b. Development of specifications that govern the acquisition, installation, modification and maintenance of the SBA Data Communications System (SBADCS) network.

   c. Performance of studies and reviews to prescribe, upgrade, and ensure a quality information network for SBA.

   d. Development of standards and procedures that are compatible with standards of operation and design prescribed by Federal agencies and recommended by equipment manufacturers.

2. Conducts detailed studies and reviews, performs evaluations, and makes recommendations relative to current and future communications activities of the Office of Computer Sciences (OCS).

3. Determines the impact of new innovations and techniques in the field of electronic data processing and data communications and recommends systems revisions that provide for improvement in cost effectiveness, response capability, and equipment utilization.

4. Coordinates program input from the Plans, Standards, and Project Control Staff, Data Base Administration Staff, Information Systems Branch and Operations Branch in formulating and recommending overall operating policies and plans for the OCS as related to data communications.

5. Maintains detailed inventory of dictation equipment and automatic typewriters.

6. Performs studies to determine initial word processing needs for offices.

7. Performs studies of word processing users to ascertain potential improvements in procedures or needed equipment additions or upgrades.

8. Periodically reviews Word Processing Center operations per FPMR 101.9.

9. Maintains source information for word processing related items in addition to word processing equipment.

10. Responsible for advising offices on optimum times for conversion from rental to purchase for word processing equipment.

11. Responsible for cost effectiveness analyses of Word Processing Centers.

12. Provides consulting services to SBA personnel regarding acquisition and use of word processing equipment.

13. Writes, revises, and maintains all handbooks, SOP's and other documents relating to word processing.

14. Acts as Agency representative in inter-Agency meetings and Government-wide policy determination regarding word processing.

15. Conducts research and maintains liaison with manufacturers, professional organizations, and other Government agencies regarding word processing and telecommunications.

16. Determines requirements and specifications for dictating systems, word processors, and other word processing peripherals.

17. Conducts training on word processing equipment when expedient and necessary.

18. Conducts research and investigates new vendor advances in products related to office automation or software capabilities to determine candidates for installation at SBA in cooperation with branches/staffs.

19. Responsible for the maintenance and consolidation of monthly data from all Word Processing Centers which provides cross-feed information to all field offices.

20. Supports all elements of SBA in their procurement of word processing equipment for general word processing, as well as special requirements.

21. Responsible for the word processing aspects of all Agency teleprocessing systems.

22. Provides technical expertise and assistance, as needed, to the SBA Computer Security Officer.

23. Coordinates with OCS branches/staffs on the installation and usage of communications involving word processing equipment or other automated office equipment.

24. Disseminates, when necessary, to OCS personnel information received that would be pertinent to other OCS functions.

25. Provides budgetary-obligating information to support budget preparation.

26. Coordinates periodic word processing conferences and seminars.

27. Coordinates word processing machine time on an as-needed basis.

28. Serves as liaison between vendor's national representatives and SBA offices.

29. Coordinates use of shared-logic word processing systems by multiple offices.

30. Serves as the focal point for the Agency with regards to microcomputer and minicomputer applications and technology.

B. The Network Development Section performs the following functions:

1. Directs, coordinates and executes the development and maintenance of data communications and automated data system networks that form the basis for SBA's nationwide computer and data communications network.

2. Develops and implements requirements for the specification, installation, enhancement and functional worthiness of SBA's data communications network. This includes but is not limited to:

   a. Performing reviews and evaluations to ascertain the need for the addition or upgrade of the network communications or terminal equipment.

   b. Developing and preparing all Agency documentation required for the submission of Agency Procurement Requests (APR) and Requests for Delegation of Procurement Authority (DPA), as required by the Federal Procurement Regulations.

   c. The acquisition of all network facilities and equipment.

   d. The coordination of the installation of all network equipment at the various sites, including preparation of the site requirements, site plan review, installation scheduling and site coordination.

3. Maintains a repository of information pertaining to the hardware available to meet the Agency's data communications needs. This includes all reference material on the subject of data communications management, application, etc.

4. Serves as the focal point for the Agency with regards to microcomputer and minicomputer applications and technology. This includes:

   a. Advising potential users on the evaluation, selection, procurement and utilization.

   b. Making recommendations regarding all requests for micro/minicomputers.

   c. Developing and submitting to the proponent elements standards/guidelines for acquisition and use of micro/minicomputers within the Agency.

   d. Acting as the Agency representative in inter-agency and Government-wide policy determinations regarding micro/minicomputers.

e. Conducting research and maintaining liaison with manufacturers, professional organizations and other Government agencies regarding micro/minicomputers.

f. Providing technical expertise and assistance, as needed, to the SBA computer Security Officer regarding micro/minicomputers.

5. Provides budgetary-obligation information and requirements in support of the annual budget preparation and reviews.

6. Prescribes requirements for and reviews the performance of the hardware, operating system software, communications systems terminals, and all operating components of the data communications network.

a. Conducts studies to determine the impact on the host computer, operating system, front end processor and the network, of new transactions, proposed network expansion, and other changes.

b. Develops, tests, implements, and maintains SBADCS Test Plan for equipment, software and applications employed in SBADCS.

c. Coordinates with other Office of Computer Sciences components in the development and operation of the test plan.

7. Coordinates with program and staff offices in the Central Office and the field the need for continued use of, revision in, or complete replacement of network-related ADP and data communications equipment. Plans and conducts feasibility studies for the acquisition, installation and operation of data communications equipment and facilities and provides information for reports, as required.

8. Develops and maintains continuing awareness of current and projected developments in the state-of-the art of communications. In coordination with the Problem Assistance Liaison Section, recommends modifications in long-range plans and current operating plans to make use of improvements in methods and techniques of electronic processing and data communications technology.

9. Develops, publishes, distributes and maintains the SBADCS Users' Manual. Coordinates with other OCS activities to provide applicable portions of the Manual (e.g., Information Systems Branch, chapters concerning application systems).

10. Establishes and maintains a training program for SBADCS network users to include equipment, applications, security and maintenance. Coordinates with users on training needs and with other OCS components in providing necessary training courses and instructors to satisfy training needs.

C. The Problem Assistance Liaison (PAL) Section performs the following functions:

1. Assists in determining specifications for network maintenance requirements. Serves as the COTR in managing the finalized contract. Certifies completion of services for maintenance activities.

2. Certifies completion of services, maintains inventories and costs of network equipment components and prepares reports and statistics concerning these subjects.

3. Maintains statistics pertaining to maintenance of network components, and prepares management reports summarizing maintenance activities. Maintains statistical data files for use in evaluation of proposed system upgrades, expansion, etc.

4. Provides input to the Network Development Section used in the development and maintenance of the SBADCS Users' Manual.

5. Provides input to the Network Development Section in the establishment and maintenance of the SBADCS training program.

6. Authors, coordinates, publishes, and distributes SBA Teleprocessing Bulletins to disseminate information and instructions to SBADCS users. Coordinates with the Network Development Section to ensure appropriate changes are made in the Users' Manual.

7. Provides support to all users of the nationwide SBADCS network by serving as a central point of contact for all problem calls from network users concerning the operation of those application systems in the network environment.

8. Resolves operational problems with respect to computer accessibility, database availability, usage and recovery, communications software and equipment, executive operating system interface, terminal equipment, telephone communication facilities, output processing and receipt, and documentation integrity.

9. Determines the source of all communications problems, coordinating with any other appropriate area of authority (operational, developmental, or vendor) and responds promptly.

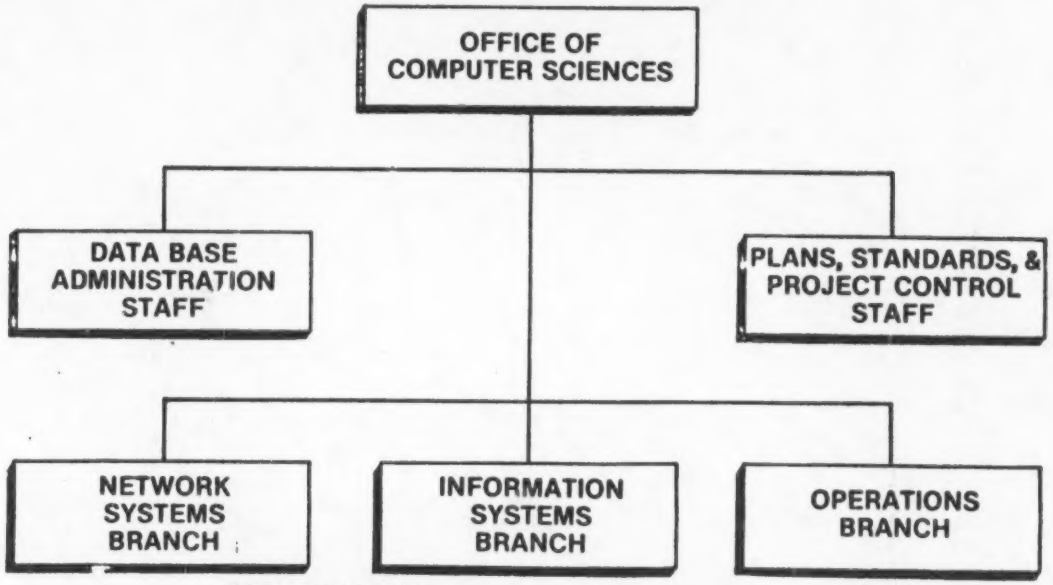
10. Serves as a source of technical information on network effectiveness, and determines availability of teleprocessing resources for future utilization.

11. Conducts acceptance testing of all changes to existing SBADCS systems and all newly developed systems prior to implementation of these changes or systems on the SBADCS. Provides results of these tests to those offices responsible for development, along with any recommendations.

12. Assists system developers in arranging and monitoring pilot testing of SBADCS systems.

APPENDIX I

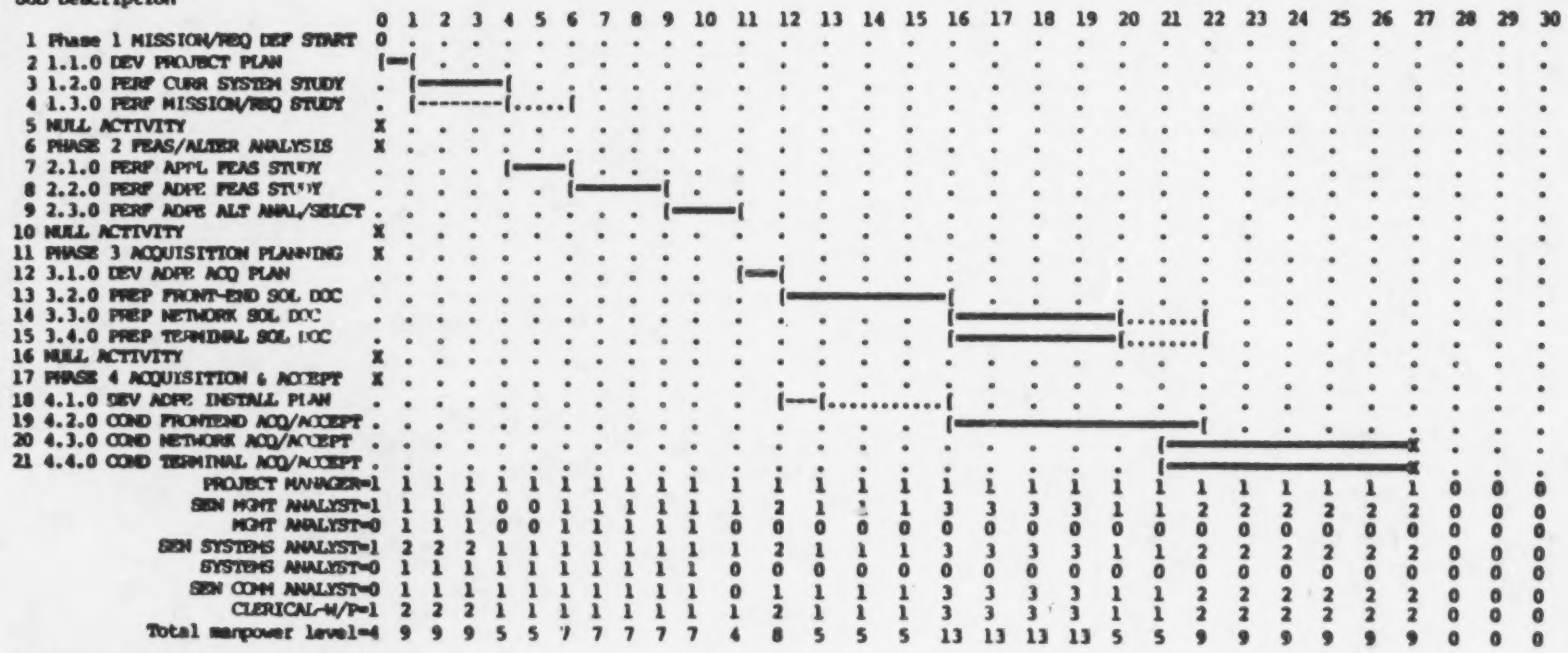
OFFICE OF COMPUTER SCIENCES



- TOTAL STAFF: 91
- OVERALL OFFICE CHARTER
  - MAINTAIN OFFICIAL AGENCY FILES
  - DESIGN AND INSTALL INFORMATION SYSTEMS
  - CONTROL ALL ADP EQUIPMENT AND PROJECTS
  - CONDUCT SPECIAL STATISTICAL ANALYSES AND EVALUATIONS OF SELECTED PROGRAM ACTIVITIES

ANNEX C

CHARTS OF ACQUISITION PROCESS


Job Description
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
1 Phase 1 MISSION/REQ DEF START 0
2 1.1.0 DEV PROJECT PLAN
3 1.2.0 PERF CURR SYSTEM STUDY
4 1.3.0 PERF MISSION/REQ STUDY
5 NULL ACTIVITY X
6 PHASE 2 FEAS/ALTER ANALYSIS X
7 2.1.0 PERF APPL FEAS STUDY
8 2.2.0 PERF ADPE FEAS STUDY
9 2.3.0 PERF ADPE ALT ANAL/SELCT
10 NULL ACTIVITY X
11 PHASE 3 ACQUISITION PLANNING X
12 3.1.0 DEV ADPE ACQ PLAN
13 3.2.0 PREP FRONT-END SOL DOC
14 3.3.0 PREP NETWORK SOL DOC
15 3.4.0 PREP TERMINAL SOL DOC
16 NULL ACTIVITY X
17 PHASE 4 ACQUISITION & ACCEPT X
18 4.1.0 DEV ADPE INSTALL PLAN
19 4.2.0 COND FRONTEND ACQ/ACCEPT
20 4.3.0 COND NETWORK ACQ/ACCEPT
21 4.4.0 COND TERMINAL ACQ/ACCEPT
PROJECT MANAGER=1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 0 0 0
SEN MGMT ANALYST=1 1 1 1 0 0 1 1 1 1 1 1 2 1 1 1 3 3 3 3 1 1 2 2 2 2 2 2 0 0 0
MGMT ANALYST=0 1 1 1 0 0 1 1 1 1 1 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
SEN SYSTEMS ANALYST=1 2 2 2 1 1 1 1 1 1 1 1 2 1 1 1 3 3 3 3 1 1 2 2 2 2 2 2 0 0 0
SYSTEMS ANALYST=0 1 1 1 1 1 1 1 1 1 1 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
SEN COMM ANALYST=0 1 1 1 1 1 1 1 1 1 1 0 1 1 1 1 3 3 3 3 1 1 2 2 2 2 2 2 0 0 0
CLERICAL-W/P=1 2 2 2 1 1 1 1 1 1 1 1 2 1 1 1 3 3 3 3 1 1 2 2 2 2 2 2 0 0 0
Total manpower level=4 9 9 9 5 5 7 7 7 7 7 4 8 5 5 5 13 13 13 13 5 5 9 9 9 9 9 9 0 0 0

Symbol - Explanation
[---[Duration of a normal job
[...[Slack time for a normal job
[===[Duration of a critical path job
[:::[Duration of a completed job
* Job with zero duration
0---[Job with no prerequisites
[===X Job with no successors

OCS PLANNING PROJECT SUMMARY

PHASE	MISSION/REQ. DEFINITION	FEASIBILITY ALTERNATIVE ANALYSIS	ACQUISITION PLANNING	ACQUISITION AND ACCEPTANCE
A-109 Major Milestones Key Decisions	Mission/Budget Approval	Alternative(s) Selection	Acquisition Approval	System(s) Acceptance
PRODUCTS	OCS Planning Project Plan OCS Current Systems Study SBA/OCS Mission/ Requirements Study Agency Procurement Request (Prelim.)	SBA/OCS Application Feasibility Study OCS Software Conversion Study SBA/OCS ADPE Feasibility Study SBA/OCS ADPE Alternative Analysis/Selection Agency Procurement Request (Prelim.)	OCS ADPE Acquisition Plan. Terminal APR. Terminal Sol. Doc. Front End APR. Front End Sol. Doc. Network APR. Network Sol. Doc.	OCS ADPE Installation Plan. Terminal Evaluation and Contract Front End Evaluation and Contract Network Evaluation and Contract
ACTIVITIES	Develop project Plan Perform OCS Current Systems Study Perform SBA/OCS Mission/Requirement Study	Perform SBA/OCS Appl. Feasibility Study Perform SBA/OCS ADPE Feasibility Study Perform SBA/OCS ADPE Alternative Analysis/ Selection	Develop ADPE Acquisition Plan Prepare Terminal Sol. Document Prepare Front End Sol. Document Prepare Network Sol. Document	Develop OCS ADPE Installation Plan Conduct Terminal Acquisition and Acceptance Conduct Front-End Acquisition and Acceptance Conduct Network Acquisition and Acceptance

Exhibit 3.0-2

MANAGEMENT, ACQUISITION AND UTILIZATION OF ADP RESOURCES
(Source: FPMR Section 101-35.2)

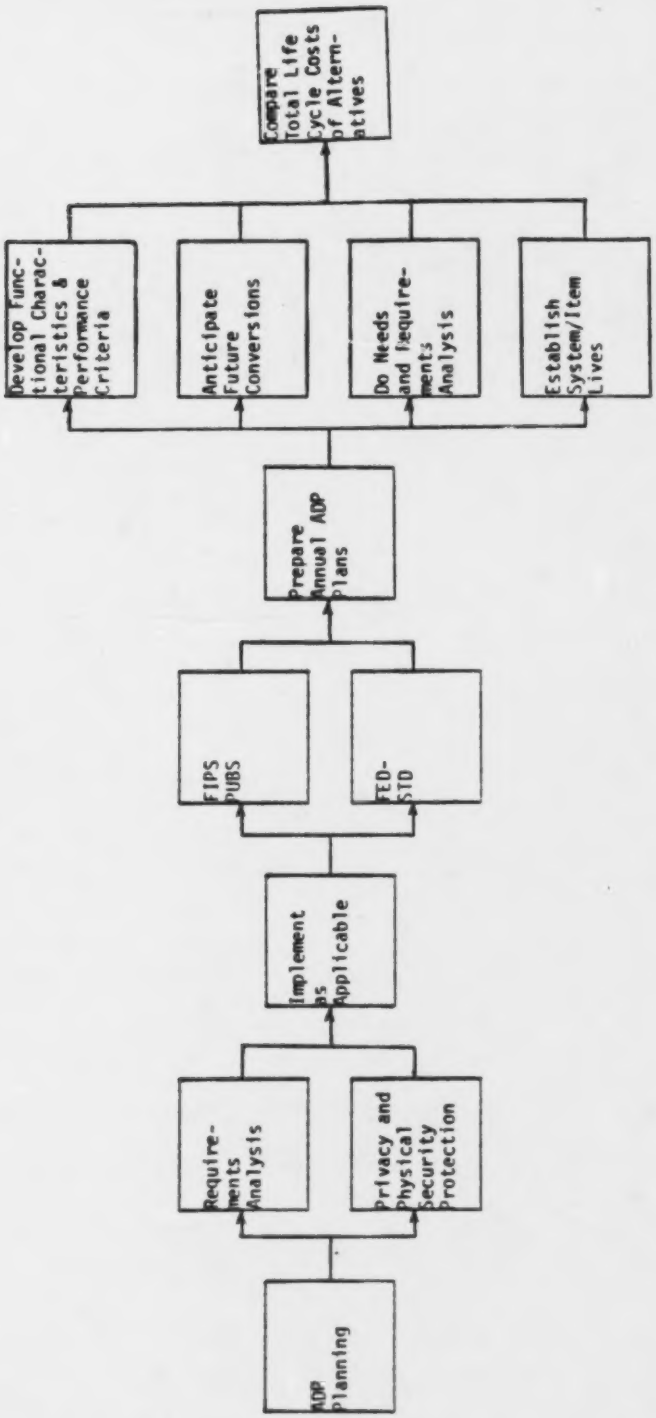


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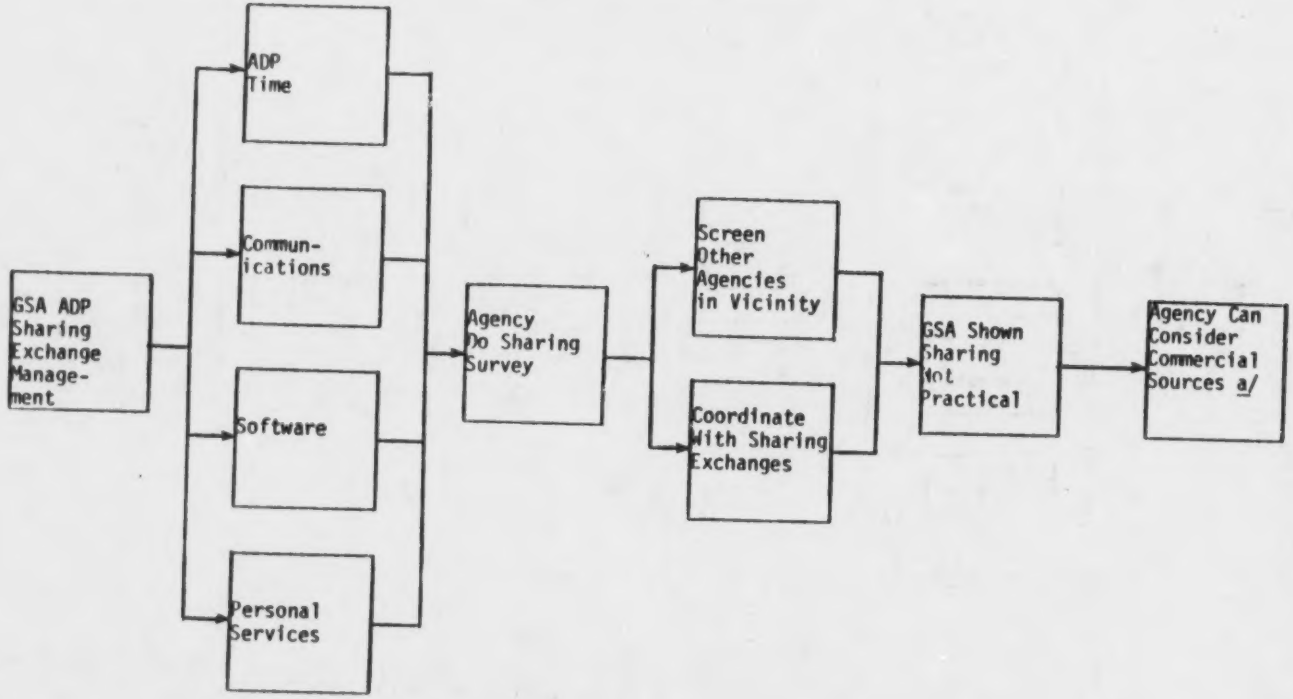
Exhibit 3.0-3

ADP RESOURCES UTILIZATION
(Source: FPMR Section 101-35.2)



a/ Exemption only for special equipment/services, usually Defense oriented.

Exhibit 3.0-4

REUTILIZATION OF ADP EQUIPMENT AND SUPPLIES
(Source: FPMR Section 101-36.3)

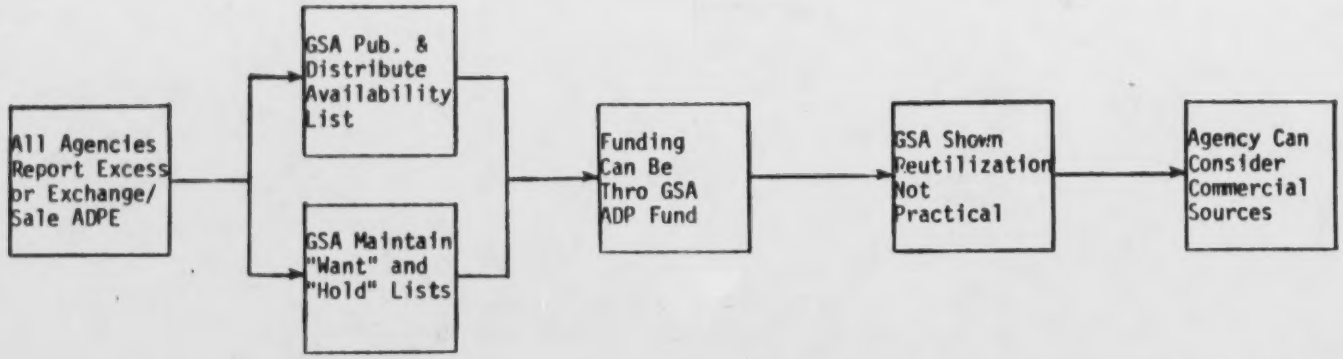

All Agencies Report Excess or Exchange/ Sale ADPE
GSA Pub. & Distribute Availability List
GSA Maintain "Want" and "Hold" Lists
Funding Can Be Thro GSA ADP Fund
GSA Shown Reutilization Not Practical
Agency Can Consider Commercial Sources

Exhibit 3.0-5

ANALYSIS OF DATA COMMUNICATION SYSTEMS AND SERVICES
(Source: FPMR Temp. Reg. F-502)

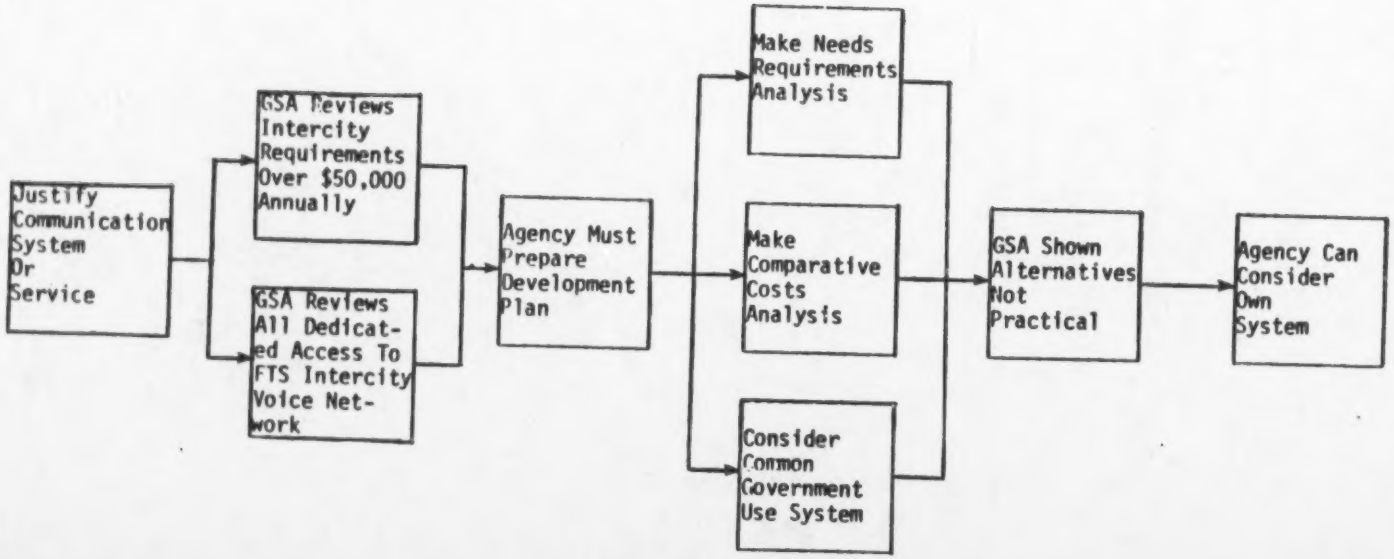
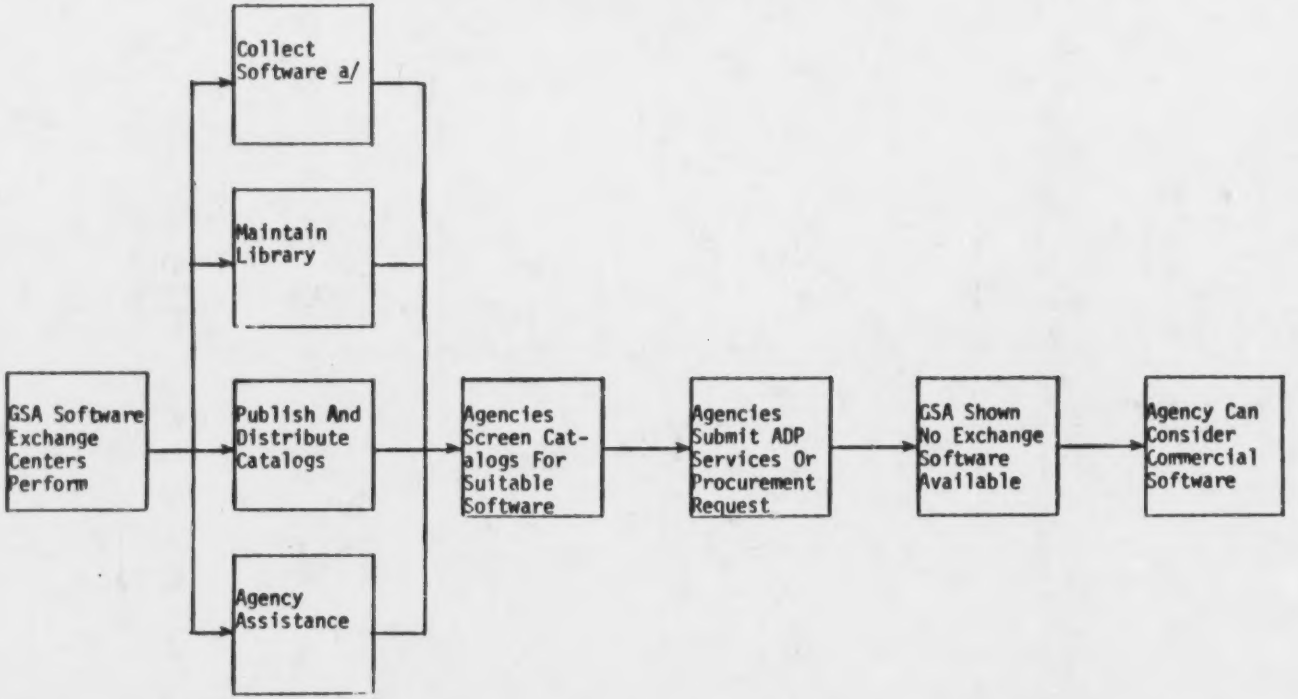

Justify Communication System Or Service
GSA Reviews Intercity Requirements Over $50,000 Annually
GSA Reviews All Dedicated Access To FTS Intercity Voice Network
Agency Must Prepare Development Plan
Make Needs Requirements Analysis
Make Comparative Costs Analysis
Consider Common Government Use System
GSA Shown Alternatives Not Practical
Agency Can Consider Own System

Exhibit 3.0-6

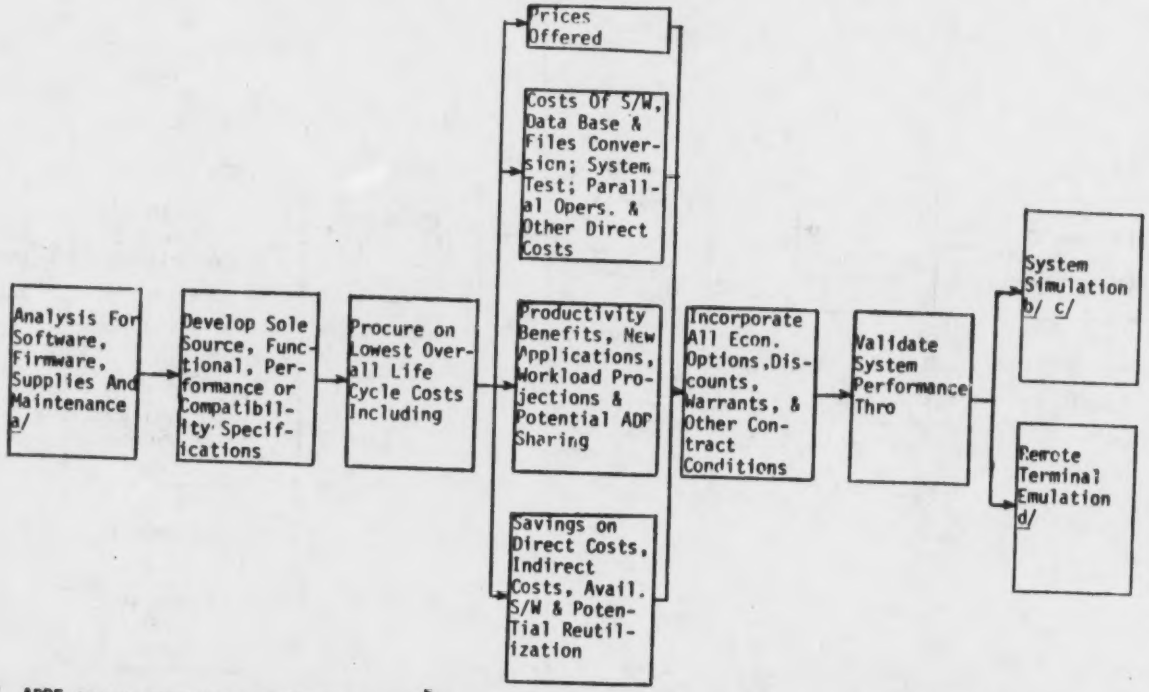
FEDERAL SOFTWARE EXCHANGE PROGRAM
(Source: FPMR Section 36.16)


Collect Software a/
Maintain Library
GSA Software Exchange Centers Perform
Publish And Distribute Catalogs
Agency Assistance
Agencies Screen Catalogs For Suitable Software
Agencies Submit ADP Services Or Procurement Request
GSA Shown No Exchange Software Available
Agency Can Consider Commercial Software

a/ Excludes data files and special, classified, proprietery and cost reimbursable funded programs.

Exhibit 3.0-7

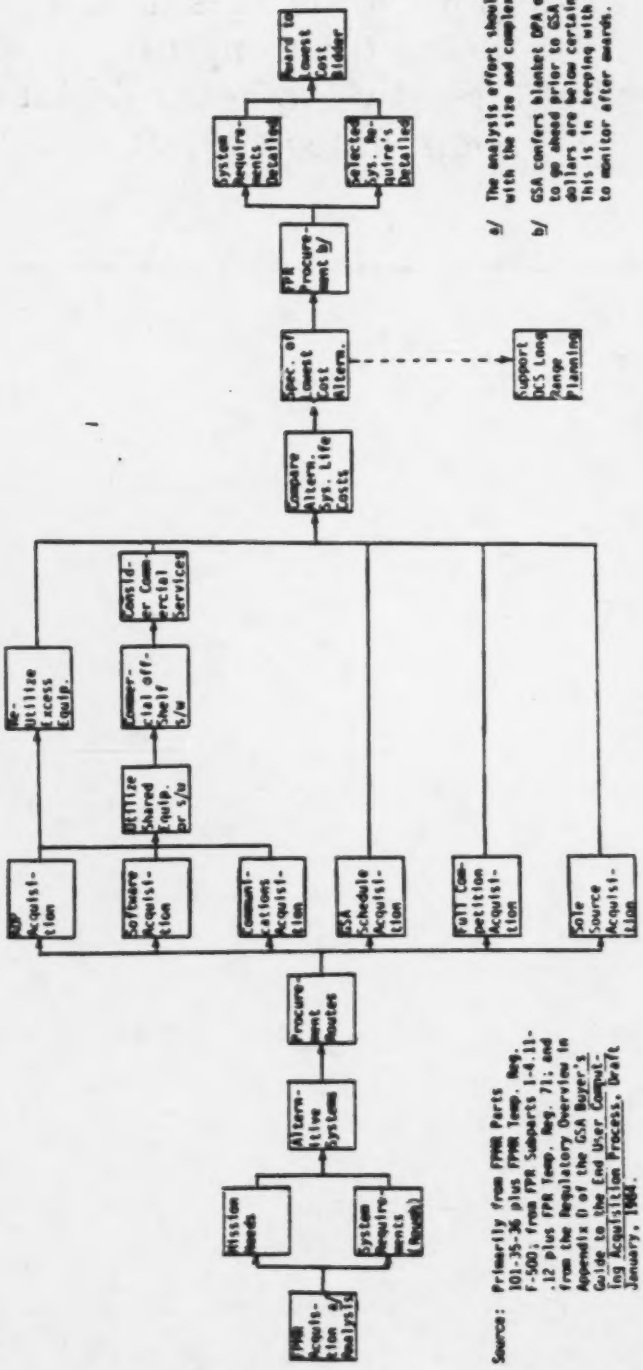
ANALYSIS TO SUPPORT ADP PROCUREMENT
(Source: FPR Amend. 211)


Analysis For Software, Firmware, Supplies And Maintenance a/
Develop Sole Source, Functional, Performance or Compatibility Specifications
Procure on Lowest Overall Life Cycle Costs Including
Prices Offered
Costs Of S/W, Data Base & Files Conversion; System Test; Parallal Opers. & Other Direct Costs
Productivity Benefits, New Applications, Workload Projections & Potential ADP Sharing
Savings on Direct Costs, Indirect Costs, Avail. S/W & Potential Reutilization
Incorporate All Econ. Options, Discounts, Warrants, & Other Contract Conditions
Validate System Performance Thro
System Simulation b/ c/
Remote Terminal Emulation d/

a/ ADPE covers computer, auxilary-accessory equipment, punched card accounting machines and data transmission.
b/ Simulation can not be the sole or specified test of system performance. GSAF assistance is described in FPMR Section 101-36.14
c/ Benchmark simulation, etc should be avoided in low dollar ADP procurements.
d/ A GSA handbook is available for agency guidance.

Exhibit 2.0-1

FPMR AND FPR OVERVIEW



a/ The analysis effort should be commensurate with the size and complexity of the system.

b/ GSA confers blanket DPA on agencies to go ahead prior to GSA approval, if dollars are below certain thresholds. This is in keeping with the new GSA policy to monitor after award.

Source: Primarily from FPMR Parts 101-35-36 plus FPMR Temp. Reg. F-500; from FPR Subparts 1-4.11-.12 plus FPR Temp. Reg. 71; and from the Regulatory Overview in Appendix D of the GSA Buyer's Guide to the End User Computing Acquisition Process, Draft January, 1984.

U.S. Small Business Administration

Report to the President and to the Congress as Required by the Federal Managers' Financial Integrity Act of 1982

(Public Law 97-255)

CONTENTS

Letter to the President from the Administrator of the U. S. Small Business Administration in Accordance with Section 2 of Public Law 97-255, Federal Managers' Financial Integrity Act of 1982

Letter to the President from the Administrator of the U. S. Small Business Administration in Accordance with Section 4 of Public Law 97-255, Federal Managers' Financial Integrity Act of 1982

Attachment A - Description of the Conduct of the Internal Control Evaluation

Attachment B - Plans and Schedules for Correcting Material Weaknesses

EXHIBIT A - Letter from the Inspector General of the U. S. Small Business Administration to the Agency Head as Required by the Director of the Office of Management and Budget

EXHIBIT B - Description of the Computerized Internal Control Review System of the U. S. Small Business Administration

SBA

U.S. Small Business Administration
Office of the Administrator

Washington, DC 20416

DEC 23 1983

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

An evaluation of the systems of internal accounting and administrative control of the U. S. Small Business Administration in effect during the year ended September 30, 1983, was performed in general accordance with the Guidelines for the Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government, issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the Federal Managers' Financial Integrity Act of 1982, and accordingly included an evaluation of whether the system of internal accounting and administrative control of the U. S. Small Business Administration was in compliance with the standards prescribed by the Comptroller General. Attachment A provides additional information on how the evaluation was conducted.

The objectives of the system of internal accounting and administrative control of the U. S. Small Business Administration are to provide reasonable assurance that:

-- Obligations and costs are in compliance with applicable law;

-- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

-- Revenues and expenditures applicable to Agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting

and administrative control, including those limitations resulting from resource constraints, Congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of the evaluation described in the first paragraph, assurances given by appropriate U. S. Small Business Administration officials, and other information provided indicate that the system of internal accounting and administrative control of the U. S. Small Business Administration in effect during the year ended September 30, 1983, taken as a whole, generally complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved within the limits described in the preceding paragraph. The evaluation, however, did disclose the following material weaknesses:

1. MATERIAL WEAKNESSES FOR WHICH CORRECTIVE ACTIONS HAVE BEEN TAKEN

   A. FINANCE AND INVESTMENT DIVISION

      1. The Disaster Assistance Program is authorized to make loans to victims of Declared Disasters under the Small Business Act. The law governing this program was materially changed in August of 1981. During 1982, a major geographic and functional reorganization of the program took place. Prior to that time, major weaknesses in the program had been uncovered by Agency management, the Office of Inspector General, the General Accounting Office and Congressional committees. These weaknesses centered around the areas of: program administration and management; personnel policies and practices; adherence to regulations and Standard Operating Procedures; and delivery system control. Major significant weaknesses in the program were resolved in 1982 through a series of management initiatives. Other known material weaknesses were corrected in 1983.

2. The Small Business Investment Company (SBIC) program ensures that equity capital and long-term debt are provided to small firms for their growth, expansion and modernization. Operating under the Small Business Investment Act of 1958, as amended, SBA licenses, regulates and provides leverage to privately owned and operated investment companies, who in turn provide equity capital and long term financing to small businesses. An analysis of the operation of this program indicated that in some instances the designed administrative control procedures were not being implemented as prescribed, and therefore, the systems as implemented did not provide reasonable assurance that the intended program benefits would be achieved or that resources were adequately safeguarded. A number of major managerial initiatives were implemented in 1982 to correct significant material weaknesses in the SBIC Program. Other known material weaknesses were addressed in 1983.

3. The Certified Lenders Program (CLP) provides that lending institutions with proven skills may, on certification, receive accelerated consideration of their requests for SBA loan guaranties. Approximately 20% of all SBA guaranteed loans are being made through this program. The program is dependent on submission by participating banks of complete applications. Review results indicated that an unacceptable number of incomplete applications were being received from CLP lenders. These deficient applications incurred extra processing costs. A number of significant actions were taken in 1983 to resolve the problem of incomplete applications.

4. Collateral and other available assets of a borrower or endorser whose loan is in liquidation are sold to recover funds due SBA. Recovery is dependent upon successful action. Review results indicated that some cases in liquidation are allowed to drift with no action taken. Lack of action can equate to waste of assets. Action was taken in 1983 to strengthen liquidation controls.

5. Guaranteed loans are made to small businesses by participating banks. Field visits should be made to these banks. Review results indicated that field reports regarding visits to participating banks were frequently too general in content and/or did not contain an evaluation of bank servicing. Further, there was frequently no visit control system in place. Inadequate knowledge of a bank's practices can result in loss of assets. Standard Operating Procedures regarding field visits and the control system were implemented in 1983.

B. MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT DIVISION

Section 8(a) of the Small Business Act authorizes SBA to enter into contracts with other Federal Government agencies to provide goods and services those agencies need. In order to meet this objective, significant improvement was needed in the administrative controls designed to ensure an equitable distribution of 8(a) contracts among eligible companies in the program. These controls were implemented and closer administrative oversight of the contractors' performance of awarded contracts was required of all involved program officials.

C. PROCUREMENT & TECHNICAL ASSISTANCE DIVISION

The Procurement Automated Source System (PASS), a national computer based requirements/vendor matching system operated by a private sector contractor, had design and implementation deficiencies which limited its effectiveness in achieving planned objectives. Actions were taken to resolve the deficiencies shown in GAO and Agency reports.

II. AGENCYWIDE MATERIAL WEAKNESS REQUIRING CORRECTIVE ACTION

The Agency's Standard Operating Procedures, the official series of publications which prescribe administrative and managerial control policies and procedures for each program or administrative function, need to be updated, strengthened, and streamlined in order to assure that the most cost effective and efficient internal control systems are being designed and implemented.

III. ORGANIZATION SPECIFIC MATERIAL WEAKNESSES REQUIRING CORRECTIVE ACTIONS

A. FINANCE AND INVESTMENT DIVISION

1. Loan applicants submit financial statements as evidence of their ability to repay the applied for loan. Standard Operating Procedure guidelines require that sufficient analysis and rationale be documented in the loan report to justify loan approvals. Review results indicate that in some cases adequate financial analysis and documentation are not being accomplished. Waste of assets could occur from loans being made to ineligible applicants.

2. District loan officers and attorneys are required to examine all documents and the actions of the participant within 30 days of demand that SBA purchase the guaranteed portion of a loan. The examination is required to ensure that the loan was disbursed and serviced in accordance with the loan authorization and Agency regulations. If it was not, SBA can decline liability for repurchase. Post-purchase reviews are not in all cases being made, are incomplete, or not made within the prescribed time limit of 30 days. This can result in SBA not declining liability and thereby wasting assets.

B. MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT DIVISION

1. Improvements are needed in the implementation of bank statement reconciliation procedures for control over the Advance Payments made to 8(a) firms designated as socially and economically disadvantaged under this section of the Small Business Act, who qualify for such assistance. Failure to reconcile bank statements could permit fraud or waste to occur.

2. Improvement is needed in the control over disbursement of Business Development Expense program funds to 8(a) program beneficiaries to restrict the possibility for their misuse.

3. Administrative weaknesses in the 7(j) (Call Contracts) Program have been detected wherein reports, designed to provide assurance that the management counseling services provided for the benefit of individual 8(a) small business firms are not being properly reviewed by responsible personnel to ensure sufficiency, quality, and responsiveness to the contract provisions. Improper reviews could lead to waste of assets.

C. PROCUREMENT AND TECHNICAL ASSISTANCE DIVISION

The Certificate of Competency certifies that the small business company selected by a government procuring agency possesses the capability to perform a specific contract. Additional controls are needed to assure that Certificate of Competency plant visits, financial surveys, and monthly reviews of financial and contract progress reports are performed in a timely and effective manner.

D. MANAGEMENT ASSISTANCE DIVISION

The Small Business Development Center Program is a university-based small business assistance program delivered through Cooperative Agreements between each entity and the SBA. Audits of this function are performed by SBA's Office of Inspector General, frequently supported by the Department of Health and Human Services. The SBA Office of External Awards negotiates with the recipients based upon the results of these audits. This Agency is concerned about possible material weaknesses in the internal control process centering around the infrequency of these audits.

E. COMPUTER SCIENCES DIVISION, ASSISTANT ADMINISTRATOR FOR ADMINISTRATION

The security of the Computerized Loan Accounting System with regard to access and update needs to be strengthened to prevent unauthorized access. This problem will be of greater concern as mini and micro computers are put to use throughout the Agency.

Attachment B to this statement contains the U. S. Small Business Administration's plans and schedules for correcting such weaknesses.

Respectfully,

James C. Sanders
Administrator

Attachments

SBA

U.S. Small Business Administration
Office of the Administrator

Washington, DC 20416

DEC 23 1983

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

Pursuant to Section 4 of the "Federal Managers' Financial Integrity Act of 1982," we have reviewed the accounting systems, as the term is defined by the U. S. General Accounting Office, of the Small Business Administration during the fiscal year ended September 30, 1983. The review was performed based on instructions developed by the Office of Management and Budget and encompassed the principles, standards and related requirements as prescribed by the Comptroller General, as well as the objectives for system operations, system integrity, budget execution, financial management and financial reporting.

Since the review process is a continuous one, we have not completed reviews for each individual system during the past year. We have, however, planned the process to include the cyclic review of the system in subsequent years. An important part of these reviews is the reliance upon the tests of transactions which should be an indicator that the systems operate as designed.

The results of the evaluation described in the first paragraph, the approvals provided by the U. S. General Accounting Office for all of the accounting systems except one, comprehensive reviews made at different times of all the accounting systems by the U. S. General Accounting Office and the Office of Inspector General, Small Business Administration, and other information provided indicate that the accounting systems of the Small Business Administration operated during the fiscal year ended September 30, 1983, taken as a whole, conform in all material respects to the principles, standards, and related requirements of the Comptroller General. All the accounting systems have been approved by the U. S. General Accounting Office except for one which is presently under review for approval.

Our intention is to upgrade and integrate these systems as part of the President's Management Improvement Initiatives: Reform '88. In general, however, we believe the Small Business Administration has the accounting systems in place that assure basic accountability over the resources entrusted to its care.

Respectfully,

James C. Sanders
Administrator

ATTACHMENT A

DESCRIPTION OF THE CONDUCT OF THE INTERNAL CONTROL EVALUATION

SELECTION OF ASSESSABLE UNITS

The U. S. Small Business Administration (SBA) is composed of a Central Office, 10 Regional Offices, 66 District Offices and 21 Branch Offices. All of these offices are organized along program and functional lines with authority and responsibility being assigned on the same basis. Accordingly, the SBA selected as assessable units all the sub-programs within major programs and sub-functions within the administrative functions. Examples using the Finance and Investment program and the Comptroller function follow:

MAJOR PROGRAM	SUB-PROGRAMS
Finance and Investment	Disaster Assistance
	Business Loans (Processing)
	Portfolio Management (Servicing & Liquidation)
	Lender Relations
	Small Business Investment Companies
	Secondary Market
	Surety Bond Guarantees
	Pollution Control Financing
	Lease Guarantee

ADMINISTRATIVE FUNCTIONS	SUB-FUNCTIONS
Comptroller	Budgeting
	Maintenance of Accounting Systems
	Collection
	Disbursement Activity

The selection process resulted in the designation of 65 assessable units as follows:

NUMBER OF ASSESSABLE UNITS	
Program Activities	47
Administrative Functions	18
Total	65

B. RESULTS OF VULNERABILITY ASSESSMENTS

The SBA has made a number of assessments of the vulnerability of its programs and administrative functions to waste, loss, unauthorized use or misappropriation.

The first assessments were made by senior Agency officials in December of 1982. Although efforts were made to conform with the Office of Management and Budget (OMB) guidelines, the Agency remained concerned that the resultant vulnerability ratings lacked reliability. Accordingly, it was the Agency's intention to improve upon these original vulnerability ratings as more reliable information became available.

Therefore in August of 1983 a reassessment of vulnerability ratings was made. During this second series of assessments, heads of major programs were instructed, based upon detailed guidance from the Office of Program Analysis and Review, to determine an inherent risk factor for each of the checklist items in the Computerized Internal Control Review (CICR) system, (the CICR system is described in Exhibit C). These inherent risk factors, which were based upon the OMB guidelines, were incorporated into the CICR system for implementation during FY 1984 reviews. These six risk factors, which range from High (H1) to Low (L2), coupled with the percentage of compliance ratings for each checklist item, will greatly assist in a continuing assessment of vulnerability. In addition, at the initial meeting of the SBA Internal Control Steering Committee, two Finance and Investment program activities were determined to be highly rather than moderately vulnerable and were scheduled for immediate conduct of internal control reviews. Further, these major program heads were instructed to reexamine vulnerability, not only in connection with the CICR, but to review the entire process examining:

> "...suitability of the organizational configuration; adequacy of policies, budgeting, operating and reporting procedures; level of personnel competence; effectiveness of control techniques; clarity and availability of documentation of internal controls, transactions and events; timeliness and classification accuracy of transactions and events; existence of proper delegations for authorizations and transactions; degree of separation of duties, adequacy of supervision to assure achievement of the internal control objectives; restriction of access to resources to properly authorized individuals; assignment and maintenance of custody and use of resources; comparison of physical resources with

accountability as a function of resource vulnerability; existence of supportive attitude toward internal controls by managers and employees; and provision by internal controls of reasonable assurance that objectives of the system are being accomplished. Consideration was also to be given to the control weaknesses reported in and the corrective actions taken on Regional Technical Reviews, General Accounting Office Audits, Inspector General Audits and Investigations, management reviews and reports, and other information."

The breakdown of the 65 vulnerability ratings resulting from the initial assessment modified by the actions taken above was: high-3, moderate-20, and low-42.

Finally, reassessment of these ratings was made by the SBA Internal Control Steering Committee in connection with selecting the program activities and administrative functions for priority internal control reviews during FY 1984. The results of the FY 1983 Computerized Internal Control Review evaluations were fully considered by the Steering Committee during these reassessments, and resulted in the vulnerability ratings for a number of program activities being changed. The breakdown of the 65 vulnerability ratings resulting from these reassessments was: high 12; moderate 15; low 38. Several areas were then scheduled for review in FY 1984, as a result of this meeting.

As a result of the above mentioned reassessments, the Agency now considers that its assessments of the vulnerability of its programs and administrative functions to waste, loss, unathorized use, or misappropriation are reliable. These actions facilitated selection of the appropriate program activities and administrative functions for priority internal control reviews during FY 1984.

The actions taken in 1983 to address the highly and moderately vulnerable program activities and administrative functions are detailed in the following paragraph.

C. ACTIONS TAKEN TO ADDRESS THE RESULTS OF THE VULNERABILITY ASSESSMENTS

In October 1980, the Small Business Administration began to develop a Computerized Internal Control Review system for use in conducting and reporting on reviews of its operations at district and branch offices. This was in recognition that the preponderance of SBA's programs are delivered at the field level. Consequently, when the Federal Managers' Financial Integrity Act of 1982 became law, the Agency was in a favorable position to implement the law's internal control evaluation provisions. The Computerized Internal Control Review system, which was implemented in October 1982, is described in Exhibit C.

The results of the vulnerability assessments were addressed in several ways to insure the adequacy of the related internal controls. These results were addressed primarily through the unique Computerized Internal Control Review system. Additionally, the Office of Program Analysis and Review (OPAR) conducted evaluations of selected programs delivered at the regional level in five regional offices and conducted evaluations of certain vulnerable areas at four Disaster Area Offices. The Office of the Comptroller conducted evaluations of its internal controls, and the Office of Personnel addressed certain vulnerable areas identified by the Office of Personnel Management during an Agency level review of selected personnel activities. The SBA Internal Control Steering Committee, composed of senior Agency officials and the Inspector General, mandated the conduct of non-computerized, comprehensive internal control reviews for two programs which the Committee determined to be highly vulnerable. Three adminstrative functions were covered in audits conducted by the Inspector General. Those evaluations of programs and administrative functions finally rated highly or moderately vulnerable, but not addressed in 1983, will be considered at a later date.

Listed below are the program activities and administrative functions which were originally rated during FY 1983 as highly or moderately vulnerable and the nature of the actions taken to address them in FY 1983.

PROGRAM ACTIVITIES AND ADMINISTRATIVE FUNCTIONS ASSESSED AS HIGHLY OR MODERATELY VULNERABLE

LEGEND:

- CICR - Addressed during Computerized Internal Control Review system reviews
- OPAR - Addressed during reviews conducted by the Office of Program Analysis and Review
- COMPT - Addressed during reviews conducted by the Office of the Comptroller
- OP/OPM - Addressed vulnerable areas identified by the Office of Personnel Management
- ICR - Internal Control Reviews mandated by the SBA Internal Control Steering Committee
- IGA - Audit conducted by the Office of the Inspector General
- TBS - To be scheduled at a later date

PROGRAM ACTIVITIES	ACTION TAKEN	PARAGRAPH REFERENCE*
Minority Small Business & Capital Ownership Development		
8(a) Program Eligibility	CICR/OPAR	D 1 & 2
8(a) Program Acquisition	CICR/OPAR	D 1 & 2
Business Development Expense & Advance Payments	CICR/OPAR	D 1 & 2
7(j) Program	CICR/OPAR	D 1 & 2
Office of Procurement & Technical Assistance		
Procurement Automated Source System (PASS)	CICR/OPAR	D 1 & 2
Office of Finance & Investment		
Disaster Assistance	ICR/OPAR	D 5 & 2
Business Loans	CICR	D 1
Certified Development Company Program	ICR	D 5
Portfolio Management (Compromise Actions)	CICR/OPAR	D 1 & 2
Lender Relations	CICR	D 1
Surety Bond Guarantee	CICR/OPAR	D 1 & 2
ADMINISTRATIVE FUNCTIONS		
Office of Comptroller		
Maintenance & Accounting Systems	COMPT	D 3
Office of Personnel		
Classification and Position Management	OP/OPM	D 4
Office of Administration		
Office of External Awards		
Contract Awards	IGA	D 6
Grants Awards	IGA	D 6
Small Purchase Program	IGA	D 6
Office of Administrative Services		
Office Services	TBS	D 7
Space Management & Communications	TBS	D 7

Office of Computer Sciences

Plans Standards & Project Control Staff	TBS	D 7
Information Systems Branch	TBS	D 7
Operations Branch	TBS	D 7
Network Systems Branch	TBS	D 7
Data Base Administrative Staff	TBS	D 7

Office of Inspector General

Internal Audit	(IG indicates no material
Regulatory Audit	weaknesses)
Investigations	

*These paragraphs directly follow in the body of this report.

D. EXTENT OF INTERNAL CONTROL REVIEWS PERFORMED DURING THE REPORTING PERIOD

1. COMPUTERIZED INTERNAL CONTROL SYSTEM REVIEWS

As stated in Exhibit C, Description of SBA's Computerized Internal Control Review (CICR) System, the reviews are conducted of all major activities in the network of 66 district and 21 branch offices where the preponderence of SBA programs are delivered. These reviewr are conducted by regional office managers and are designed to evaluate field office compliance with internal controls incorporated in the Agency's system of Standard Operating Procedures and to identify operational problems. During FY 1983, such reviews were conducted at 65 of the 66 district offices and the nine largest of the 21 branch offices. These reviews covered the following Program Activities and Administrative Functions: Minority Small Business and Capital Ownership Development, Procurement and Technical Assistance, Finance and Investment, Management Assistance, Administration, Personnel, Legal, and Equal Employment Opportunity and Compliance. This large number of reviews, which covered the Agency's major programs, provided exceptionally comprehensive coverage of the SBA's district and branch office operations.

During the 1983 Computerized Internal Control Review system evaluations, 123,900 individual control techniques were applied and rated. These evaluations resulted in 74 individual office corrective action

plans which in total provided 3,984 recommendations for improvement in the implementation of operating procedures and internal controls. Although this represents an average of over 50 recommendations per office reviewed, many were the result of common deficiencies. These common problem areas were easily identified by the Computerized Internal Control Review system and portrayed in summary reports on program, region, and Agencywide bases for review, analysis, and appropriate action.

The results of these 1983 evaluations were furnished to the heads of the major Central Office organizations and Regional Administrators for review and consideration of the implications regarding the adequacy of internal controls.

2. INTERNAL CONTROL REVIEWS PERFORMED BY THE OFFICE OF PROGRAM ANALYSIS AND REVIEW

During FY 1983, the Office of Program Analysis and Review conducted independent reviews of some of the major programs delivered at the regional level and by the Disaster Area Offices. These reviews were conducted at the following locations:

Regional Offices	Disaster Area Offices
Region I - Boston, MA	Area I - Middletown, CT
Region II - New York, NY	Area II - Atlanta, GA
Region VII - Kansas City, MO	Area III - Grand Prairie, TX
Region IX - San Francisco, CA	Area IV - Sacramento, CA
Region X - Seattle, WA	

These OPAR reviews included various aspects of the following programs and activities: Minority Small Business and Capital Ownership Development; Procurement and Technical Assistance; and Finance and Investment, including Disaster Assistance, compromise actions under Liquidations, and the Surety Bond Guarantee activities. Recommendations were made for the correction of certain deficiencies noted.

3. INTERNAL CONTROL EVALUATIONS PERFORMED BY THE OFFICE OF THE COMPTROLLER

Although the Office of the Comptroller identified only the maintenance of accounting systems as moderately vulnerable, a decision was made to extend the conduct of internal control reviews to additional areas. Consequently, during FY 1983, the Office of the Comptroller conducted internal control reviews of fourteen areas among its budgeting, accounting, collection, and disbursement activities. No material weaknesses were noted. However, action has been initiated to correct the minor deficiencies observed in the evaluation. The fourteen areas reviewed were:

Budgeting

1. Planning
2. Formulation
3. Presentation
4. Execution

Accounting

5. Section 8(a) Contracts Program
6. Administrative Accounting
7. Cashier Operations
8. Payroll
9. Business and Disaster Lending

Collections and Disbursements

10. Collections Lending Program
11. Administrative and Lending Disbursements

Programs

12. Surety Bond Program
13. Pollution Control
14. Disbursements

All of the Agency's accounting systems have been approved except for one which is currently being reviewed for approval by the U. S. General Accounting Office.

4. REVIEW CONDUCTED BY THE SBA OFFICE OF PERSONNEL AND THE OFFICE OF PERSONNEL MANAGEMENT

The misclassification of personnel and poor position management practices have been identified as areas which involve unnecessary costs to the Government. During 1982, the Office of Personnel Management conducted an Agency-level personnel management evaluation in SBA. This evaluation disclosed weaknesses in the Agency's position management and classification programs. In December 1982, the SBA Office of Personnel rated the personnel classification and position management sub-function moderately vulnerable and addressed these matters during FY 1983.

The SBA has not agreed with all findings by OPM regarding positions in the field and several SBA task forces are reviewing the findings for areas of agreement, disagreement and resolution. Most of the individual misclassifications identified in the Central Office have been resolved and cyclic classification reviews are planned to assure that the problems do not recur. A schedule of full-scale personnel management evaluations with emphasis on position management and classification and the effectiveness of the performance appraisal system is planned for FY 1984.

5. INTERNAL CONTROL REVIEWS MANDATED BY THE INTERNAL CONTROL STEERING COMMITTEE

During the initial meeting of the SBA Internal Control Steering Committee, the vulnerability of the programs scheduled for internal control review were reassessed. It was decided that internal control reviews of the 503 Certified Development Company and the Disaster Assistance programs should be conducted immediately. It was considered essential that the internal control systems for these two programs be carefully and thoroughly evaluated and that the responsible officials ensure that the results of the evaluation be fully documented in the related Standard Operating Procedures pertaining to these two programs. These reviews were conducted in accordance with the OMB guidelines.

The Agency's Standard Operating Procedures, although not having the force and effect of law, are binding on the employees of the Agency and in many instances have been found by the courts to be binding upon the Agency, as well, in providing benefits and assistance under the Agency's programs. Each SOP is the documentation of the management control system, including internal controls, for the related program or administrative function. Accordingly, the Agency is undertaking an extensive evaluation and updating of all its Standard Operating Procedures.

a. THE 503 CERTIFIED DEVELOPMENT COMPANY PROGRAM

The internal control review of the 503 Certified Development Company program was conducted on a highly structured, formal basis. The purpose of the review was to evaluate the completeness, economy, and efficiency of the administrative controls over the program, determine whether additional control techniques were needed, and provide a documented basis for establishing checklist items for the CICR. A team, composed of senior program officials from the Central Office, a Regional Office, and a District Office, was assembled in the Central Office. The review involved three phases as follows:

(1) Phase 1 - Training

An intensive training program was developed covering the Federal Managers' Financial Integrity Act, Standards for Internal Control in the Federal Government, OMB Circular A-123, the OMB Guidelines for the Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government, and the relationships between these documents and the review plan for the 503 Certified Development Company Program. Attendees at the sessions included representatives of OMB, the GAO, and Senior Agency Program Officials.

(2) Phase II - Systems Analysis and Documentation

With the assistance of OPAR representatives, the team:

(a) Identified the event cycles

(b) Analyzed the general control environment based on input from Central Office, Regional Office, and District Office team members

(c) Identified the inherent risks

(d) Established control objectives

(e) Identified control techniques needed to achieve the control objectives

(f) Determined the status of the identified control techniques; i.e., established whether the applicable SOP's and Regulations included all of these control techniques or needed to be revised

(g) Documented the desired internal control system in the form of narratives and schematics

(h) Conducted field tests at Regional, District, and Branch Offices to assure that all event cycles had been identified, that control objectives were appropriate, that the control techniques were practical and cost effective, and that all inherent risks had been identified

During this phase of the review, a significant internal control weakness was identified, and corrective action was initiated immediately. Currently, the Standard Operating Procedures pertaining to this program are being revised to incorporate the control objectives, additional control techniques, and the narrative schematic of the system. CICR checklist items were developed.

(3) Phase III - The Internal Control Review Report

In mid January 1984, the team plans to reconvene and finalize its report.

b. THE DISASTER ASSISTANCE PROGRAM

The Disaster Assistance program, which in recent years has ranged from 200 million to 2.5 billion dollars annually, is operated in four area offices and controlled from the Central Office. The internal control review of the Disaster Assistance program, although less structured and less formal than the "503" program, included the same procedures and produced similar results. The additional control techniques developed during both reviews will be incorporated in the Agency's Standard Operating Procedures, and both programs will be incorporated in the CICR system.

6. AUDITS CONDUCTED BY THE INSPECTOR GENERAL

The administrative functions of contract awards, grants awards, and small purchases had been rated moderately vulnerable. These three functions were covered in a detailed audit conducted by the Inspector General. Accordingly, no further action to address these functions is necessary at this time.

7. VULNERABLE ADMINISTRATIVE FUNCTIONS TO BE ADDRESSED AT A LATER DATE

Not all administrative functions rated as moderately vulnerable could be addresed during FY 1983. Those not addressed in FY 1983 will be scheduled for review at a later date. Actions taken during FY 1983 to improve internal controls in the Administration area included: updating and expanding the checklist items in the CICR system, tightening controls over contract awards, improving computer system security, physical inventories and records reconciliations, and actions to improve the completeness and effectiveness of Standard Operating Procedures.

E. GENERAL ACCOUNTING OFFICE AND INSPECTOR GENERAL REPORTS

In evaluating the adequacy of the Agency's internal controls, consideration was given to the control weaknesses reported in and the corrective actions taken on U. S. General Accounting Office audits, and Inspector General audits and inspections. The numbers of reports received and processed in FY 1982 and FY 1983 were:

FISCAL YEAR	NUMBER OF REPORTS	
	GAO	IG
1982	6	4
1983	2	13
TOTAL	8	17

At September 30, 1983, there were no subtantive outstanding items applicable to these reports.

F. CONSIDERATION OF GAO STANDARDS FOR INTERNAL CONTROL

As part of the evaluation of their internal control systems, the heads of selected major program and administrative offices gave appropriate consideration to the "GAO Standards for Internal Control In the Federal Government." They were requested to provide assurance that these standards were being met in all areas of their responsibility.

G. INTERNAL CONTROL REVIEWS AND OTHER ACTIONS PLANNED FOR FUTURE PERIODS

1. INTERNAL CONTROL REVIEWS PLANNED FOR 1984

a. No less than fifty percent of SBA's district and branch offices will be subjected to internal control reviews using the computerized review process during fiscal year 1984. Every major program delivered by these districts and branches will be included in these reviews. Plans are being developed for an independent evaluation of CICR reviews performed by regional staff.

b. In addition, more comprehensive internal control reviews, including documenting the systems in Standard Operating Procedures, are planned for the following program six areas as a result of high vulnerability ratings.

PROGRAM ACTIVITIES

(1) The Pollution Control Bonds Guarantee program under Finance and Investment

(2) The Business Development Expense Activity under the 8(a) Section of the Minority Small Business and Capital Ownership Development program

(3) The 7(j) Call Contractor program under the 8(a) Section of the Minority Small Business and Capital Ownership Development program

(4) The Small Business Development Center program within Management Assistance

(5) The Certificate of Competency program administered by the Office of Procurement and Technical Assistance

ADMINISTRATIVE FUNCTIONS

(6) Selected segments of the automated data processing function within the Office of Computer Sciences

c. During calendar year 1984, the entire Computerized Internal Control Review System will be re-examined. Each control technique in every major program area will be reviewed by representatives of the Central Office and field offices to ensure that each item is an adequate reflection of a measure of internal control and that such measures are in compliance with the requirements of OMB Circular A-123 and the GAO Standards. The entire system, including instructional manuals, sampling guides and terminal operating instructions will be republished for field use at the beginning of fiscal year 1985.

d. Since its inception, the Computerized Internal Control Review system has been operated on a one year review cycle, i.e., each district and major branch office was scheduled for annual review. A number of reasons exists for changing to a two year cycle. In FY 1983, a complete data base for programs and administrative functions in the system was established for district and branch offices, additional programs and administrative functions at the district and branch level are being added to the system and the system is being augmented to include those programs delivered at the regional level. For these reasons, and in order to make the necessary review resources available, the CICR system reviews may be conducted on a two year cycle starting in FY 1984 with the Districts and Branches having the greatest deficiencies scheduled first. Concurrently, increased emphasis will be placed on analyzing the review results and taking appropriate corrective actions.

e. The Office of Program Analysis and Review will conduct reviews of operations in the selected Disaster Area Offices and of the Surety Bond, Compromises, Procurement and Technical Assistance, Administration and the Legal functions at five or more Regional Offices.

2. GUIDE FOR REVIEWING AND DOCUMENTING INTERNAL CONTROL SYSTEMS

The entire Computerized Internal Control Review system has been incorporated into the Agency's official system of Standard Operating Procedures. During 1984, a specialized guide that addresses the OMB guidelines and GAO Standards and directly relates them to the specific features of the Computerized Internal Control Review system will be developed for reviewing internal control systems and documenting the internal control systems in the Standard Operating Procedures. It will be used in conducting the FY 1984 internal control reviews identified above and for developing the checklist items (control techniques) to be incorporated into the Computerized Internal Control Review system. The revised Standard Operating Procedures and checklist items will emphasize the providing of effective and efficient internal controls.

3. REVISIONS TO ALL STANDARD OPERATING PROCEDURES

During FY 1984, The Office of Administration will initiate a special project to update and revise as necessary all existing Standard Operating Procedures and to develop any required ones that do not presently exist.

ATTACHMENT B

PLANS AND SCHEDULES FOR
CORRECTING MATERIAL WEAKNESSES

I. MATERIAL WEAKNESSES FOR WHICH CORRECTIVE ACTIONS HAVE BEEN TAKEN

A. FINANCE AND INVESTMENT DIVISION

The nature of F&I's programs, dealing as they do with the lending of money or the guaranty of such lending by others, renders them particularly vulnerable to occurence of waste, loss, unauthorized use, or misappropriation. This high level of vulnerability arises from the risk inherent in each program. It is for the most part independent of the general control environment surrounding these programs, which we have assessed as being high, and of the existing internal control system, the adequacy of which we review continually.

1. Disaster Assistance Program

(a) Material Weakness

In August of 1981 a new law materially changed the Disaster Assistance Program. During 1982 a major geographic and functional reorganization of the program took place. Prior to that time, major weaknesses in the program had been uncovered by Agency management, the Office of Inspector General, the General Accounting Office and Congressional committees. The weaknesses centered around the areas of program administration and management personnel practices, adherence to Standard Operating Procedures and delivery system control.

39-716 O - 85 - 10

(b) Corrective Actions Taken

Starting in 1982 a series of management initiatives designed to correct the major weaknesses was implemented. These initiatives took the form of a completely revised delivery system (area concept); permanent managers and employees dedicated solely to disaster loan making (Area Directors and Disaster Cadre); upgrading and training of personnel; and complete revisions of regulations, forms, procedures and paperwork designed to improve the effectiveness and efficiency of the entire operation. Accomplishments in FY '82 included implementing the area concept and staffing Area offices; training staff; starting the revisions of SOPs, procedures, forms and regulations while implementing the new law (P.L. 97-35). The basic thrust in FY '82 was to ensure organizational discipline in all operations to bring order, consistency, and professionalism to the program. During FY '83 we continued efforts to resolve the known material weaknesses by completely revising the program's regulations, completely revising verification and lending SOP's, completely revising loan forms, revising flood insurance requirements, starting the process of automating controls and lending and management information systems, revising and standardizing basic job descriptions, and installing the PMAS and MAC system in all offices. In addition, we instituted an Internal Control Review System for Disaster area offices which provides for an independent review of their technical functions by various technical experts independent of the Disaster function.

2. Small Business Investment Company Program (SBIC)

(a) Material Weakness

Weaknesses in the program included: applicants with inadequate and unqualified management were being licensed; applicant's operating plans were not sufficiently developed or disclosed;

SBIC's were being financed without demonstration of need; SBIC's that lacked ability to repay debt leverage were being funded; SBIC's not in compliance with SBA Regulations were being funded; newly licensed Minority SBIC's were immediately funded, sometimes based on overstated or non-existant private capital; and weak regulatory oversight by SBA permitted some licensees to operate in contravention of the Small Business Investment Act of 1958, as amended.

(b) Corrective Actions Taken

Correction actions taken included: field evaluations of prospective SBIC owners and managers is now required and licensee management criteria were tightened; more comprehensive plans of operation and statements of need for license are now required; a more comprehensive liquidity test is now is use, and increased detail in investment plans is required; the financial condition of licensees is being more closely scrutinized (Special covenants are being used in cases with weaker credits, including in some cases, non-subordination.); where necessary, leverage is now withheld to force regulatory compliance; MESBIC's are now permitted to apply for leverage only after a substantial part of their initial private capital is actually invested and committed to eligible small businesses; and revision of 6 SBIC regulations was finalized. Its provisions include raising the minimum capital requirement for licensing, tightening the inactivity prohibitions on licensees, and lowering the capital impairment threshold for MESBIC's.

3. Certified Lenders Program (CLP)

(a) Material Weakness

The CLP provides that lending institutions with proven skills may, on certification, receive accelerated consideration of their request for SBA loan guaranties. Approximately 20% of all SBA guaranteed loans are being made through this program. The program is dependent on submission by participating banks of complete applications. COMPUTERIZED INTERNAL CONTROL REVIEW (CICR) results indicated that an unacceptable number of inadequate applications were being reviewed from CLP lenders. These deficient applications incurred extra processing costs.

(b) Corrective Actions Taken

Conducted training sessions for CLP lenders in all regions, and are developing additional training material.

Issued revised lender certification and de-certification criteria. These criteria emphasize quality performance.

Issued revised Standard Operating Procedure (SOP). This SOP directs both SBA staff and lenders in processing and servicing CLP loans.

CLP record keeping activities have been computerized.

4. Loan Liquidation

(a) Material Weakness

Collateral and other available assets of a borrower or endorser whose loan is in liquidation are sold to recover funds due SBA. Recovery is dependent upon successful action. CICR results indicated that some cases in liquidation are allowed to drift with no action taken. Lack of action can equate to waste of assets.

(b) Corrective Actions Taken

The "Loan Liquidation" SOP was amended in late 1982 to require a formal and milestoned liquidation plan.

The revised SOP requires regular reviews of liquidation cases by the district supervisor to ensure that "drift" does not occur.

Because the typical liquidation cycle is about two years, the effects of revising the SOP will not be fully evident for about a year.

5. Loan Servicing

(a) Material Weakness

Guaranteed loans are made to small businesses by participating banks.

Field visits should be made to these banks, and a satisfactory control system for such visits should be established. CICR results indicated that field visit reports regarding visits to participating banks were frequently too general and/or did not contain an evaluation of bank servicing. Further there was frequently no visit control system in place. Inadequate knowledge of a bank's practices can result in loss of assets.

(b) Corrective Actions Taken

The "Loan Servicing" SOP was revised in December of 1982 to provide detailed instructions to field personnel on the frequency of bank visits, the content of the report, and the priority of visits.

The revised SOP requires control of the visits and describes certain minimum satisfactory systems.

The revision went to the field in mid FY 1983; improvement should be evident in FY 1984.

B. MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT DIVISION

8(a) Program

1. Material Weakness

Section 8(a) of the Small Business Act authorizes SBA to enter into contracts with other Federal government agencies to supply goods and services those agencies need. SBA then subcontracts the actual performance of the work to small businesses owned and controlled by socially and economically disadvantaged individuals. The objective of the 8(a) program is to assist eligible small firms to become independently competitive.

In order to meet this objective, significant improvement was needed in the administrative controls designed to ensure an equitable distribution of these 8(a) contracts among eligible companies in the program. Further, closer administrative oversight of the contractors' performanoe of awarded contracts was needed.

2. Corrective Actions Taken

Every checklist item in the Computerized Internal Control Review system was reviewed by the program head in detail. The purpose of this was to ensure that the Review checklist items assure full compliance with the prescribed procedures and controls, as determined through sampling procedures. In addition, the Standard Operating Procedures have been redrafted to reduce the extent of optional actions and to prescribe specific procedures and controls to be applied in all instances. Responsible personnel, as part of their internal control responsibilities, will be charged with assuring adherence to the new procedures and implementation of the prescribed controls.

C. PROCUREMENT & TECHNICAL ASSISTANCE DIVISION

Procurement Automated Source System (PASS)

1. Material Weakness

The Procurement Automated Source System (PASS) had design and implementation deficiencies which limited its effectiveness in achieving its planned objectives. Oversight of the operating contractor had been criticized in Agency and GAO reports; a current backlog of approximately 12,000 profiles had not been entered into the data base; the basic systems hardware and software were outmoded and needed updating; and provision had not been made to measure the productive results of the system.

2. Corrective Actions Taken

Action was taken to make systems improvements in the PASS system. It is planned for the new system to be in the hands of a qualified operating contractor by the beginning of FY 1985.

II. AGENCYWIDE MATERIAL WEAKNESS REQUIRING CORRECTIVE ACTION

Standard Operating Procedures

A. Material Weakness

The Agency's Standard Operating Procedures, the official series of publications which prescribe administrative and managerial control policies and procedures for each program or administrative function, need to be updated, strengthened, and streamlined in order to assure the most cost effective internal control systems for the Agency. In some instances, the revisions may require only the addition of control objectives, the related control techniques, and reference to the GAO Internal Control Standards to complete documentation of the system. In many cases, however, obsolete SOP's may be discarded and new ones published.

B. Corrective Action To Be Taken

FY 1984 has been targeted for a major effort to revise and update Standard Operating Procedures as an integral part of each Internal Control Review. In all areas strict compliance with the newly implemented directives system is being mandated. This system requires an independent review of each new or revised SOP by both the General Counsel and Inspector General.

C. Schedule for Corrective Action

Review and updating of Standard Operating Procedures is an ongoing effort in SBA. The 1984 effort will be directed to restructuring the SOP's so that they will reflect the precepts of A-123 and the GAO Standards. Substantial progress will be completed the end of FY 1984 and the effort will continue throughout FY 1985, reinforced by major refinements in the Computerized Internal Control Review System which has a direct relationship to this project.

III. ORGANIZATION SPECIFIC MATERIAL WEAKNESSES REQUIRING CORRECTIVE ACTION

A. FINANCE AND INVESTMENT DIVISION

1. Loan Processing

(a) Material Weakness

Loan applicants submit financial statements as evidence of their ability to repay the applied for loan. SOP guidelines require that sufficient analysis and rational be documented in the loan report to justify loan approvals. CICR results indicate that in some cases adequate financial analysis and documentation are not being accomplished. Waste of assets could occur from loans being made to ineligible applicants.

(b) Corrective Actions to Be Taken

Issue revised SOP instructions to clarify documentation requirements. The SOP revision has been prepared. Clearance is expected by third quarter FY 84.

Continue to monitor CICR reports for compliance and adequacy of corrective action plans.

Evaluate overall lending activities for adherence to quality lending directives.

(c) Schedule for Corrective Action

Final clearance of new SOP by third quarter of FY '84; continuous monitoring of CICR results throughout FY '84; redraft CICR control items to provide more comprehensive tracking in the CICR system to be implemented in the first quarter of FY '85.

2. Loan Servicing

(a) Material Weakness

District loan officers and attornies are required to examine all documents and the actions of the participant within 30 days of demand that SBA purchase the guaranteed portion of a loan. The examination is required to ensure that the loan was disbursed and serviced in accordance with the loan authorization and Agency regulations. The post-purchase reviews are not in all cases being made, are incomplete, or not made within the prescribed time limit of 30 days. This can result in SBA not declining liability and thereby wasting assets.

(b) Corrective Actions to be Taken

This item is of highest priority in loan servicing. The weakness is one of compliance.

The Loan Liquidation SOP contains detailed instructions for completion of the post-purchase review.

Corrective action is prescribed to suit individual field office deficiencies and the region ensures that these corrective actions are carried out. F&I monitors these corrective actions.

(c) Schedule for Corrective Action

Examination of CICR results to determine where individual field office deficiencies exist in cooperation with the Office of General Counsel during the second quarter of FY '84; devise and provide new CICR tracking instructions and checklist items by the third quarter of FY '84 in preparation for publishing and implementation of new CICR in the first quarter of FY '85. The Offices of General Counsel and Finance & Investment are also considering with regional staff appropriate measures to achieve better compliance.

B. MINORITY SMALL BUSINESS AND CAPITAL OWNWESHIP DEVELOPMENT

1. Advance Payments

(a) Material Weakness

Advance Payments are made by SBA to 8(a) firms to assist them in meeting financial requirements pertinent to the performance of specific contracts. The advance payments are recorded in ledgers and the recipient firms are required to provide the SBA bank statements as a control over these advances. However, to a significant degree, monthly bank statements are not being received, reviewed and analyzed by responsible program officials.

(b) Correctives Action to be Taken

In order to strengthen controls to prevent unauthorized use of advance payments, the Standard Operating Procedures are being revised to mandate full compliance with the requirement to obtain and analyze bank statements and reconcile them to the advance payments ledgers. Further, program managers are being reminded that maintenance of sound internal controls is subject to evaluation under established rigid performance criteria. The CICR has been updated to include as checklist items all the control techniques needed to reflect the provisions of laws, rules, and SOP's.

(c) Schedule For Corrective Action

Revision of the Standard Operating Procedure is in process and is expected to be completed by July 1984. Meanwhile, responsible program officials have been notified that failure to conform to control procedures already established will be reflected in their performance evaluations. Inspection of the control techniques and documentation commenced in November of 1983 utilizing the CICR and will continue throughout the balance of FY 1984.

2. Business Development Expense

(a) Material Weakness

The SBA spends million of dollars annually in business development expenses to help 8(a) firms become viable enterprises. A significant portion of these funds is expended for the purchase of capital equipment to improve their efficiency and stimulate growth. To ensure that these funds are not misused, the checks to cover the equipment purchases are required to be made payable to the equipment vendor and the 8(a) firm jointly. There is a material weakness in the implementation of this control technique because in a significant number of instances, the checks are made payable only to the 8(a) firm.

(b) Corrective Actions to Be Taken

The Standard Operating Procedures will be revised to ensure that payments from the control account for equipment are made payable jointly to the equipment vendor and the 8(a) firm. Also, all levels of responsible management will be required to conduct periodic follow-up reviews to ensure that this control technique is being consistently implemented. An internal control review of the business development expense activity will be conducted during FY 1984.

(c) Schedule for Corrective Action

Revision of the Standard Operating Procedure is in progress. Implementation of the control technique will be monitored during FY 1984 Computerized Internal Control Reviews. A complete internal control review of business development expenses is tentatively scheduled for the 3rd Quarter of FY 1984.

3. 7(j) (Call Contracts) Program

(a) Material Weakness

The Development Assistance Program Section 7(j) of the Small Business Act authorizes SBA to initiate, organize and maintain a management counseling service. Under this

authority, in FY 1983 SBA placed about $10 million of grants, agreements and contracts with qualified individuals and entities to furnish management and technical aid, such as accounting, engineering and marketing, to SBA clients and other eligible small firms. To ensure that the services needed to benefit the 8(a) firm have been properly provided, the consultant contractors are required to submit certain reports. A significant control weakness has developed in that the reports submitted are not being properly reviewed for sufficiency, quality, and responsiveness to the contract provisions.

(b) Corrective Actions to be Taken

A complete internal control review will be conducted of the 7(j) program. The review will include determining what additional, feasible controls may be needed to assure that written comments on the sufficiency and quality of the consulting contractors' performances are prepared and considered prior to payment.

(c) Schedule for Corrective Actions

The results of the FY 1983 Computerized Internal Control Reviews have provided specific information to all levels of management which will enable them to immediately address correction of this control weakness. Conduct of the internal control review of the 7(j) program is scheduled to commence in August 1984.

C. PROCUREMENT AND TECHNICAL ASSISTANCE

The Certificate of Competency Program

1. Material Weakness

A Certificate of Competency (COC) is a written instrument issued by the SBA to a government contracting officer. It certifies that the small company named therein possesses the capability to perform a specific government procurement or sale contract. One of the purposes of the COC procedure is to assist the applicant in becoming established, or reestablished, with government procuring

agencies as one means of becoming a viable business. It is important that the COC be issued in appropriate cases only, in order to insure the most cost effective delivery of products to the Government. In this connection, additional controls need to be established to ensure that Certificate of Competency plant visits, financial surveys, and monthly reviews of financial and contract progress reports are performed timely and in an effective manner.

2. Corrective Actions to be Taken

The Agency has established improved management effectiveness in Certificates of Competency as a "priority" item. Controls over scheduling, performing, and reporting on plant visits and related financial surveys will be strengthened and implementation will be closely monitored. A comprehensive internal control review will be performed to identify any additional controls that may be needed.

3. Schedule For Corrective Actions

Interim actions to strengthen controls pending completion of the comprehensive internal control review have been initiated. The internal control review is presently scheduled to start in the second quarter of FY 1984.

D. MANAGEMENT ASSISTANCE DIVISION

Small Business Development Centers (SBDC) Program

1. Material Weakness

The Small Business Development Center Program is a university-based small business assistance program delivered through Cooperative Agreements between each entity and the SBA. Audits of this function are performed by SBA's Office of Inspector General frequently supported by the Department of Health and Human Services. The Office of External Awards negotiates, allows and/or disallows the audit results with the recipients. This Agency is concerned about possible material weaknesses in the internal control process centering around the frequency of these audits. Further, the existing internal controls need to be strengthened and monitored.

2. Corrective Actions to Be Taken

Specifically, we will establish policy that each SBDC shall be financially and programmatically audited periodically. On a discretionary basis some Centers may be subject to annual review in the event circumstances warrant. At the same time additional internal monitoring and evaluation will be strengthened.

3. Schedule for Corrective Action

The SBDC program will be subjected to a comprehensive internal control review commencing in the second quarter of fiscal year 1984 with results expected by the third quarter. Implementation of internal control review results will begin during the final quarter. Monitoring of ongoing computerized internal control review results has already begun, and will be utilized throughout the fiscal year.

E. OFFICE OF COMPUTER SCIENCES DIVISION, ASSISTANT ADMINISTRATOR FOR ADMINISTRATION

Computer Security

1. Material Weakness

The Automated Data Processing activity is administered by the Office of Computer Sciences under the general direction of the Assistant Administrator for Administration.

The security of the Computerized Loan Accounting system with regard to access and update needs to be strengthened to prevent unauthorized access. This problem will be of greater concern as mini and micro computers are put to use throughout the Agency.

2. Corrective Actions To be Taken

A comprehensive set of user passwords is being developed. This will allow selective access to required data while, at the same time, preventing unauthorized users from breaching the security of the system.

3. Schedule for Corrective Actions

Upgrading of computer security is a continuing effort in SBA. The immediate problem should be resolved in early February 1984. Computer security systems will continue to be developed side by side with the introduction of new applications into the Agency's computer network. An internal control review of selected segments of the ADP system is scheduled for 1984.

EXHIBIT A

U.S. Small Business Administration
Washington, D.C. 20416

OFFICE OF THE
INSPECTOR GENERAL

DEC 21 1983

Honorable James C. Sanders
Administrator
Small Business Administration
Washington, D.C. 20416

Dear Mr. Sanders:

This Office has conducted a limited review to determine whether the evaluation of the system of internal accounting and administrative control, as described in Guidelines for the Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government, issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, has been carried out in a reasonable and prudent manner in the Small Business Administration (SBA) for the year ended September 30, 1983. Based on this limited review, we concluded that the SBA generally complied with the above-mentioned guidelines.

Sincerely,

Mary F. Wieseman
Inspector General

EXHIBIT B

DESCRIPTION OF SBA'S COMPUTERIZED INTERNAL CONTROL REVIEW SYSTEM

On October 1, 1982, after a two-year development effort, the SBA implemented a Computerized Internal Control Review (CICR) system that is unique in Government. Implementation commenced with a system of standard and yearly computerized internal control reviews of all major activities in SBA's network of 66 district and 21 branch offices. These reviews conducted by regional office managers are designed to evaluate field office compliance with internal controls incorporated in the Agency's system of Standard Operating Procedures (SOP's) and to uncover operational problems. Following the reviews, the review teams make recommendations to strengthen compliance with internal controls and to improve management and operations. The reviews rely heavily on sampling of individual cases. All findings and corrective action plans in the Computerized Internal Control Review are electronically and expeditiously transmitted to the Central Office where summary reports of strengths and weaknesses of operations and controls are readily available. The computerized ICR system provides many time saving and other advantages. The checklist items (control techniques) in the system have to be developed only once for use in all field office reviews, saving time and providing consistency. Also, the reviewers need do only a minimum amount of writing to document the results. On the basis of the evaluation of the test sample for each checklist item, the percentage of compliance with the controls in the SOP's is calculated by the computer. Review results are available immediately at all levels - District Office, Regional Office, and Central Office. The data in the system can be arrayed in many different formats, making it easy to compare the operational performance of District Offices and Regional Offices. Improvements in the system are immediately available to all users. The computerized data may be stored indefinitely and is easily retrieved for the use of management. The CICR system provides the following:

a. Program and administrative function checklist items based on laws, regulations, policies, priorities and procedures as codified in the SBA Standard Operating Procedures (SOP's).

b. SOP paragraph references for each checklist item (SCHEDULE 1).

c. A narrative flow of event cycle processes. Review items encompass every area of every major program as well as the Agency's Mission Statement. Special review items are included to address the Administrator's annual priorities (SCHEDULE 2).

d. Detailed questionnaires covering specific control techniques, multiple questions for each area, and minimum sample size (SCHEDULE 3).

e. A percentage rating of the fully satisfactory responses within the sample for the checklist item. On the basis of these ratings, conclusions may be drawn as to whether overall compliance with the internal controls in the SOP's has been satisfactory (80 - 100%), marginal (70 - 79%), or unsatisfactory (69% and under). Further refinement of the interpretation of the results of these ratings may be made at the discretion of the individual program heads (SCHEDULE 4).

f. An inherent risk rating for each checklist item, introduced into the system effective October 1, 1983. These ratings identify high and moderate inherent risk items for special attention to ensure that related controls are adequate and to evaluate field office compliance with these priority control items. Also, special emphasis can be given to the completion of corrective actions when deficiencies are noted for high and moderate inherent risk items (SCHEDULE 5).

g. District Office level input of review results, since the preponderance of operational activity is delivered to SBA clients at that level. Detailed results are provided by individual District Offices, by Districts within a Regional Office by Regions, or Agencywide (SCHEDULE 6).

h. A system for citing the problems concerning internal control compliance and the recommendations for correction, and for recording the field office corrective action plan designed to overcome the problems. Corrective action is to be initiated within ten days. The Regions are responsible for following up on the status of implementation of the operational recommendations in the corrective action plans. (SCHEDULE 7).

i. For each District Office reviewed, (1) the "Inspector General Certification," which is signed by the district director and certifies that all acts of malfeasance, misfeasance and other irregularities have been reported to the Inspector General. (2) Supervisory certification of concurrence in the findings and overview program comments, and (3) The Regional Administrator's certification of concurrence in the findings and overall operational comments (SCHEDULE 8).

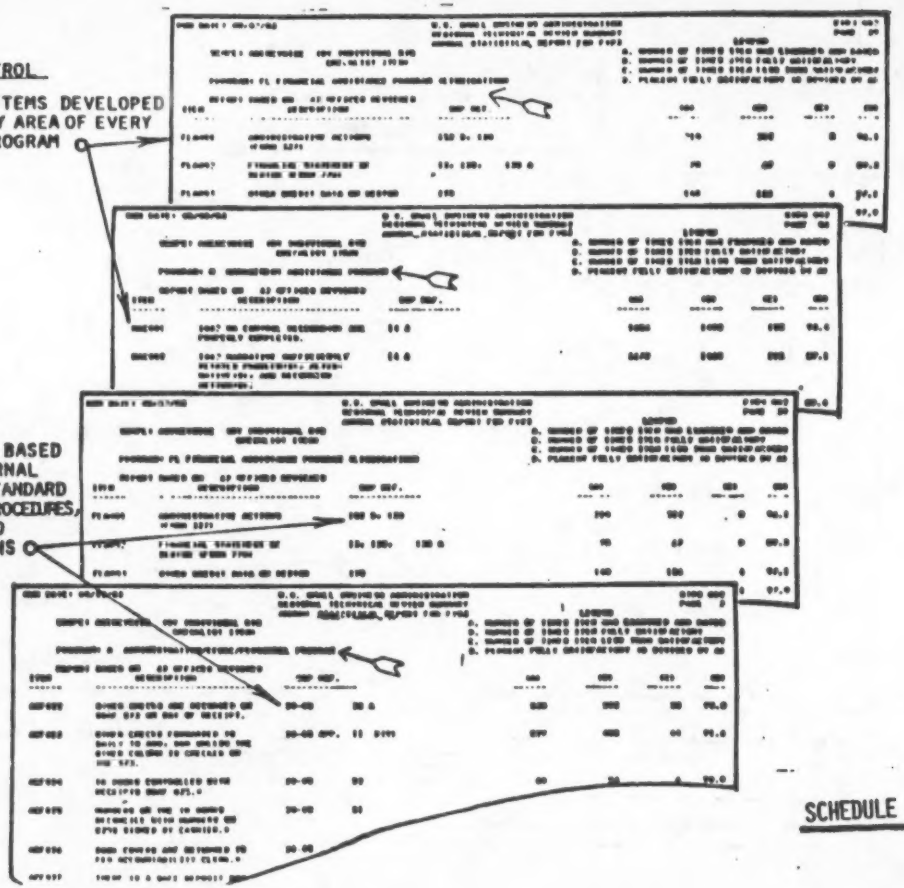
j. An Agencywide summary of problems and corrective actions for each checklist item. These summaries are used by the managers of Central Office organizations and Regional Administrators to monitor the operations of their programs and to take necessary corrective actions, either in the field or at the Central Office. (SCHEDULE 9).

k. Detailed, comprehensive, and quantified results that can be used to evaluate the performance of operational personnel, supervisors, and managers. The ICR results formed a substantial part of the basis for field office managerial personnel evaluations in 1983.

INTERNAL CONTROL

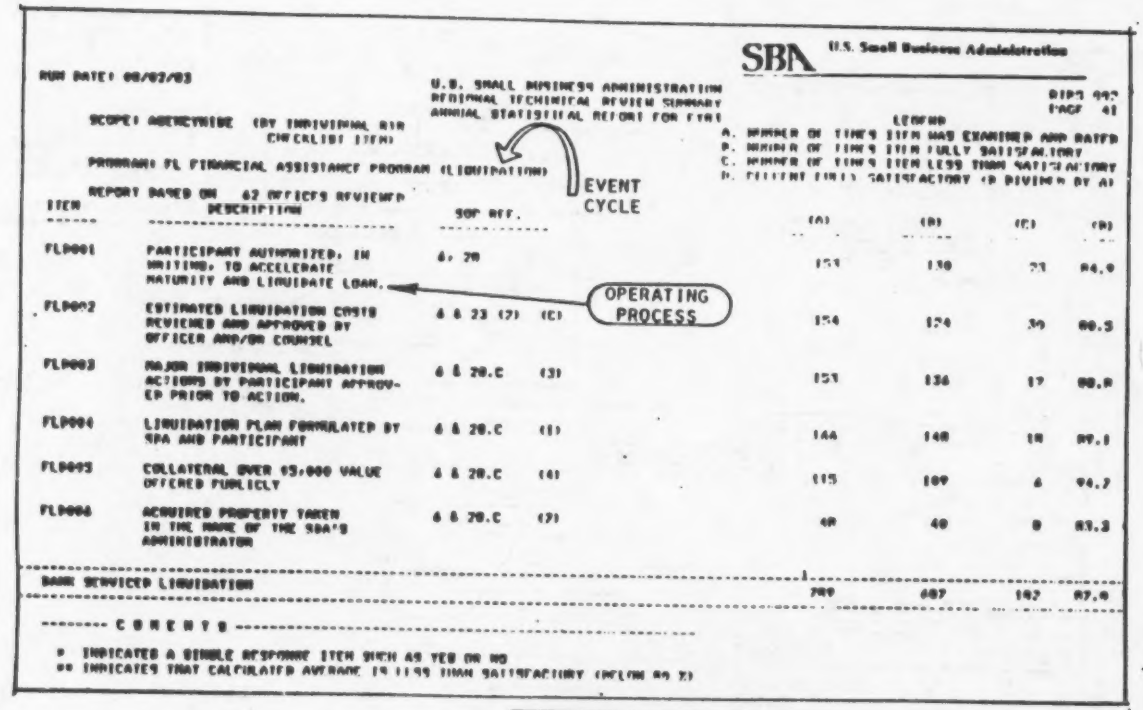
- REVIEW ITEMS DEVELOPED FOR EVERY AREA OF EVERY MAJOR PROGRAM

- ITEMS ARE BASED UPON INTERNAL CONTROL STANDARD OPERATING PROCEDURES, RULES, AND REGULATIONS



THE COMPUTERIZED INTERNAL CONTROL REVIEW (CICR) IS THE CORNERSTONE OF SBA'S INTERNAL CONTROL SYSTEM

SCHEDULE 1



SBA U.S. Small Business Administration

RUN DATE: 08/02/83

U.S. SMALL BUSINESS ADMINISTRATION
REGIONAL TECHNICAL REVIEW SUMMARY
ANNUAL STATISTICAL REPORT FOR FY81

RIPT 992
PAGE 41

SCOPE: AGENCYWIDE (BY INDIVIDUAL RIR CHECKLIST ITEM)

PROGRAM: FL FINANCIAL ASSISTANCE PROGRAM (LIQUIDATION)

REPORT BASED ON 62 OFFICES REVIEWED

EVENT CYCLE

OPERATING PROCESS

LEGEND
A. NUMBER OF TIMES ITEM WAS EXAMINED AND RATED
B. NUMBER OF TIMES ITEM FULLY SATISFACTORY
C. NUMBER OF TIMES ITEM LESS THAN SATISFACTORY
D. PERCENT FULLY SATISFACTORY (B DIVIDED BY A)

ITEM	DESCRIPTION	SOP REF.		(A)	(B)	(C)	(D)
FL0001	PARTICIPANT AUTHORIZED, IN WRITING, TO ACCELERATE MATURITY AND LIQUIDATE LOAN.	6, 20		153	130	23	84.9
FL0002	ESTIMATED LIQUIDATION COSTS REVIEWED AND APPROVED BY OFFICER AND/OR COUNSEL	6 & 23 (2)	(C)	154	124	30	80.5
FL0003	MAJOR INDIVIDUAL LIQUIDATION ACTIONS BY PARTICIPANT APPROVED PRIOR TO ACTION.	6 & 20.C	(3)	153	136	17	88.9
FL0004	LIQUIDATION PLAN FORMULATED BY SBA AND PARTICIPANT	6 & 20.C	(1)	144	140	10	97.1
FL0005	COLLATERAL OVER $5,000 VALUE OFFERED PUBLICLY	6 & 20.C	(4)	115	109	6	94.7
FL0006	ACQUIRED PROPERTY TAKEN IN THE NAME OF THE SBA'S ADMINISTRATOR	6 & 20.C	(7)	48	40	8	83.3
BANK SERVICED LIQUIDATION				749	687	102	97.0

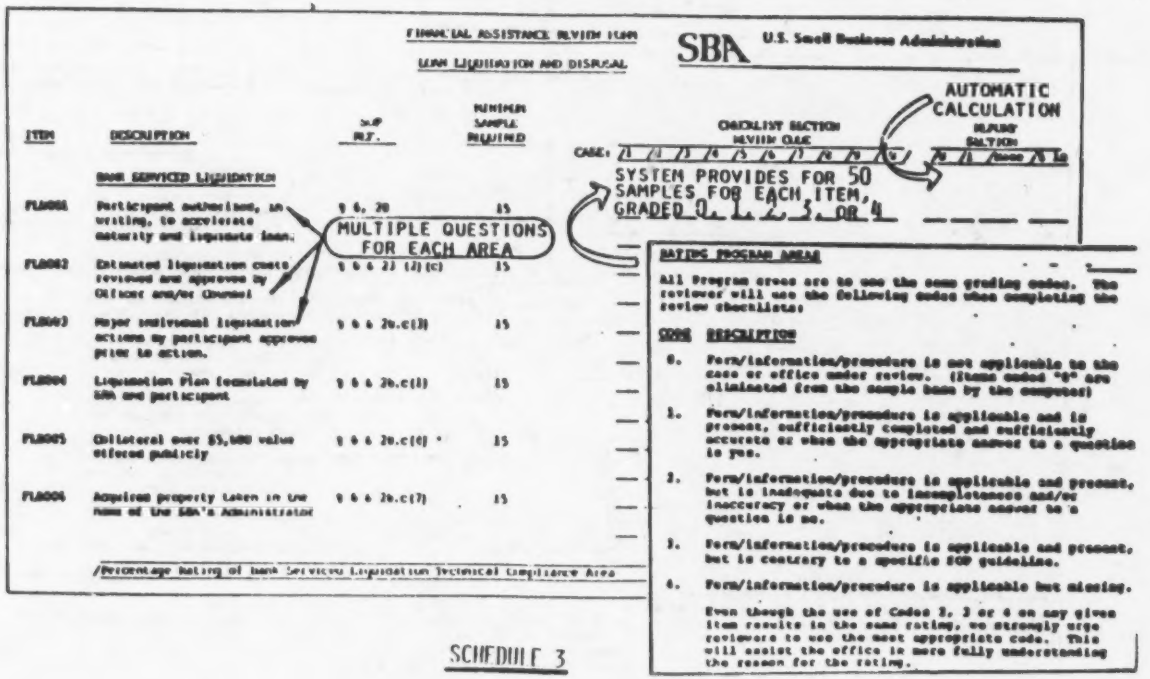
-------- C O M E N T S --------

P INDICATES A SINGLE RESPONSE ITEM SUCH AS YES OR NO
** INDICATES THAT CALCULATED AVERAGE IS LESS THAN SATISFACTORY (BELOW 80 %)

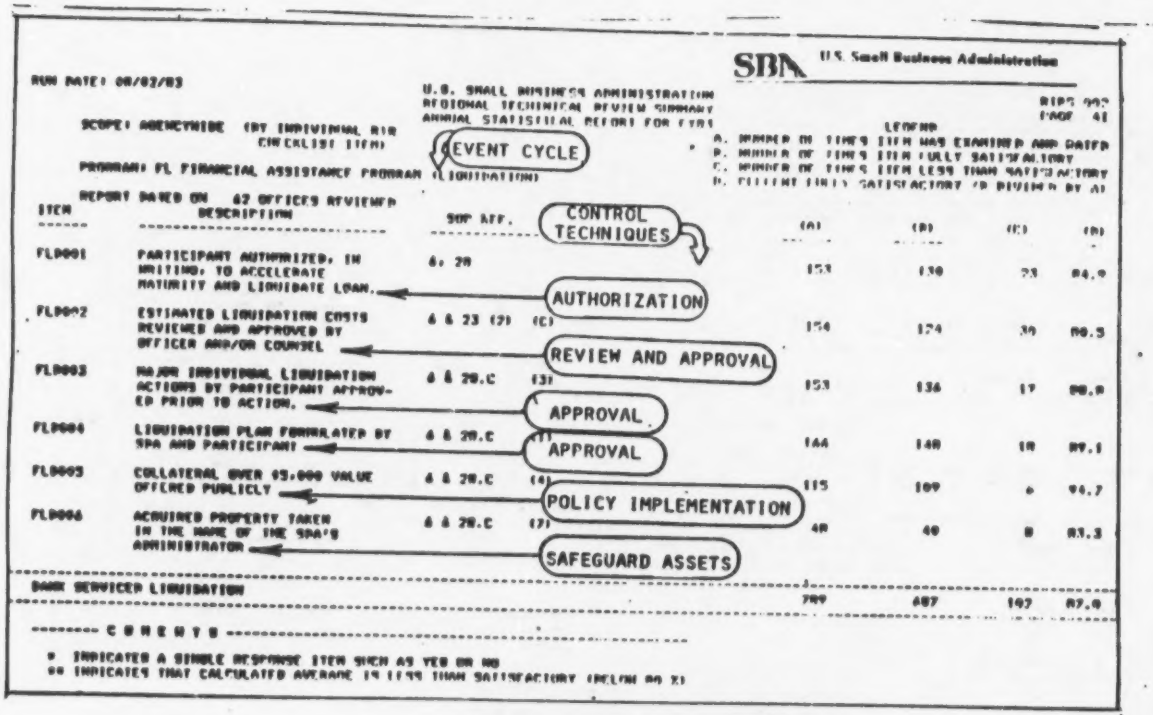
THE COMPUTERIZED ICR SYSTEM PROVIDES A NARRATIVE FLOW OF EVENT CYCLE OPERATING PROCESSES.

SCHEDULE 2

THE SYSTEM PROVIDES DETAILED QUESTIONNAIRES FOR COMPLETION DURING INTERNAL CONTROL REVIEWS


FINANCIAL ASSISTANCE REVIEW GUIDE
LOAN LIQUIDATION AND DISPOSAL
SBA U.S. Small Business Administration
AUTOMATIC CALCULATION
ITEM
DESCRIPTION
REF.
MINIMUM SAMPLE REQUIRED
BANK SERVICED LIQUIDATION
FLA001 Participant authorized, in writing, to accelerate maturity and liquidate loan. § 6, 20 15
FLA002 Estimated liquidation costs reviewed and approved by Officer and/or Counsel § 6 6 23 (d)(c) 15
FLA003 Major settlement liquidation actions by participant approved prior to action. § 6 6 20.c(3) 15
FLA004 Liquidation Plan formulated by SBA and participant § 6 6 20.c(1) 15
FLA005 Collateral over $5,000 value offered publicly § 6 6 20.c(6) 15
FLA006 Acquired property taken in the name of the SBA's Administrator § 6 6 20.c(7) 15
/Percentage Rating of Bank Serviced Liquidation Technical Compliance Area
CHECKLIST SECTION REVIEW CASE
CASE: 13 14 15 16 17 18 19 20
SOLUTION
SYSTEM PROVIDES FOR 50 SAMPLES FOR EACH ITEM, GRADED 0, 1, 2, 3, OR 4
MULTIPLE QUESTIONS FOR EACH AREA
RATING PROGRAM AREAS
All Program areas are to use the same grading codes. The reviewer will use the following codes when completing the review checklists:
CODE DESCRIPTION
0. Form/information/procedure is not applicable to the case or office under review. (Items coded "0" are eliminated from the sample base by the computer)
1. Form/information/procedure is applicable and is present, sufficiently completed and sufficiently accurate or when the appropriate answer to a question is yes.
2. Form/information/procedure is applicable and present, but is inadequate due to incompleteness and/or inaccuracy or when the appropriate answer to a question is no.
3. Form/information/procedure is applicable and present, but is contrary to a specific SOP guideline.
4. Form/information/procedure is applicable but missing.
Even though the use of Codes 2, 3 or 4 on any given item results in the same rating, we strongly urge reviewers to use the most appropriate code. This will assist the office in more fully understanding the reason for the rating.

SCHEDULE 3



CONTROL TECHNIQUES ARE DESIGNED FOR EACH SIGNIFICANT EVENT CYCLE PROCESS

SCHEDULE 4

- A DEGREE OF INHERENT RISK IS ASSIGNED TO EACH REVIEW ITEM

RUN DATE: 09/13/83 — U.S. SMALL BUSINESS ADMINISTRATION — OIPS 001 — PAGE 1

STATUS OF INTERNAL CONTROL SYSTEM REQUIRED BY OMB CIRCULAR A-123
IN ACCORDANCE WITH PUBLIC LAW 97-255

SCOPE: DALLAS DAIO

PROGRAM: FP FINANCIAL AREAS SUSCEPTIBLE TO FRAUD, WASTE OR ABUSE

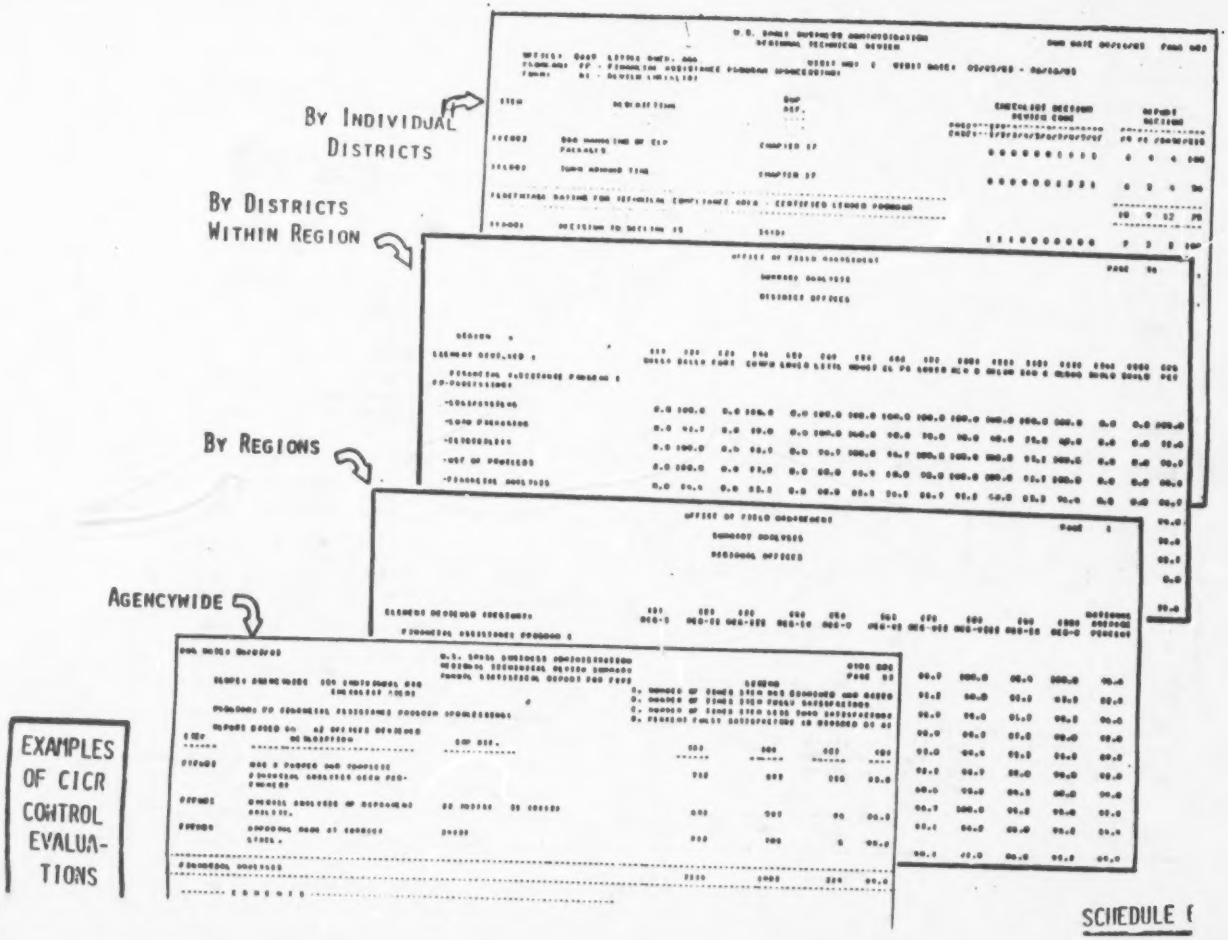
LEGEND
A. NUMBER OF TIMES ITEM WAS EXAMINED AND RATED
B. NUMBER OF TIMES ITEM FULLY SATISFACTORY
C. NUMBER OF TIMES ITEM LESS THAN SATISFACTORY
D. PERCENT FULLY SATISFACTORY (B DIVIDED BY A)

REPORT BASED ON 1 OFFICES REVIEWED

ITEM	DESCRIPTION	VISIT NUMBER: 1 SOP REF.	DEGREE OF INHERENT RISK	(A)	(B)	(C)	(D)
FPL004	CONTROL OF FUND ALLOCATIONS.	APP. 17	H1	1	1	0	100.0
FPF001	DID THE LOAN PACKAGE AS ACCEPTED BY THE DISTRICT OFFICE CONTAIN APPROPRIATE INFORMATION FOR THE PROPER PROCESSING OF THE LOAN?	19 - 23	H2	13	9	1	81.8
FPE001	SIZE (INCLUDING AFFILIATES)	6101 E 22101	H1	12	12	0	100.0
FPE003	USE OF PROCEEDS.		H1	12	12	0	100.0
FPU001	APPROPRIATE JUSTIFICATION OF USE OF PROCEEDS.		H1	12	12	0	100.0
FPF001	HAS A PROPER AND COMPLETE FINANCIAL ANALYSIS BEEN PERFORMED?		H1	12	12	0	100.0
FPF002	OVERALL ANALYSIS OF REPAYMENT ABILITY.	23 (H1)(5) 31 (A1)(2)	H1	12	10	2	83.3
FPA001	AUTHORIZATION CONTAINS APPROPRIATE TERMS AND CONDITIONS.		H2	12	12	0	100.0
FPD001	DECISION TO DECLINE IS JUSTIFIED.	34(B)	H1	3	3	0	100.0
FPS001	L/O CREDIT ANALYSIS - CREDIT REPORT - CASH FLOW ANALYSIS - BALANCE SHEET ANALYSIS - WORKING CAPITAL ANALYSIS.	47 APP 12(5)	H1	0	0	0	00.0
RATING FOR VULNERABLE ITEMS IN FPI LOAN PROCESSING				88	79	9	89.7

- THE DEGREE OF RISK INDICATES THE IMPORTANCE OF BOTH A CLOSE REVIEW AND A TIMELY CORRECTIVE ACTION

SCHEDULE F

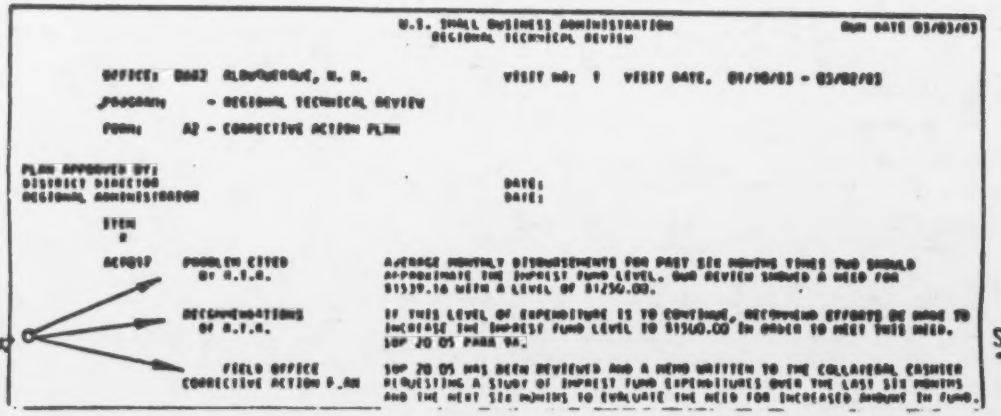

By Individual Districts
By Districts Within Region
By Regions
Agencywide
EXAMPLES OF CICR CONTROL EVALUATIONS
SCHEDULE C

COMPUTERIZED ICR SYSTEM

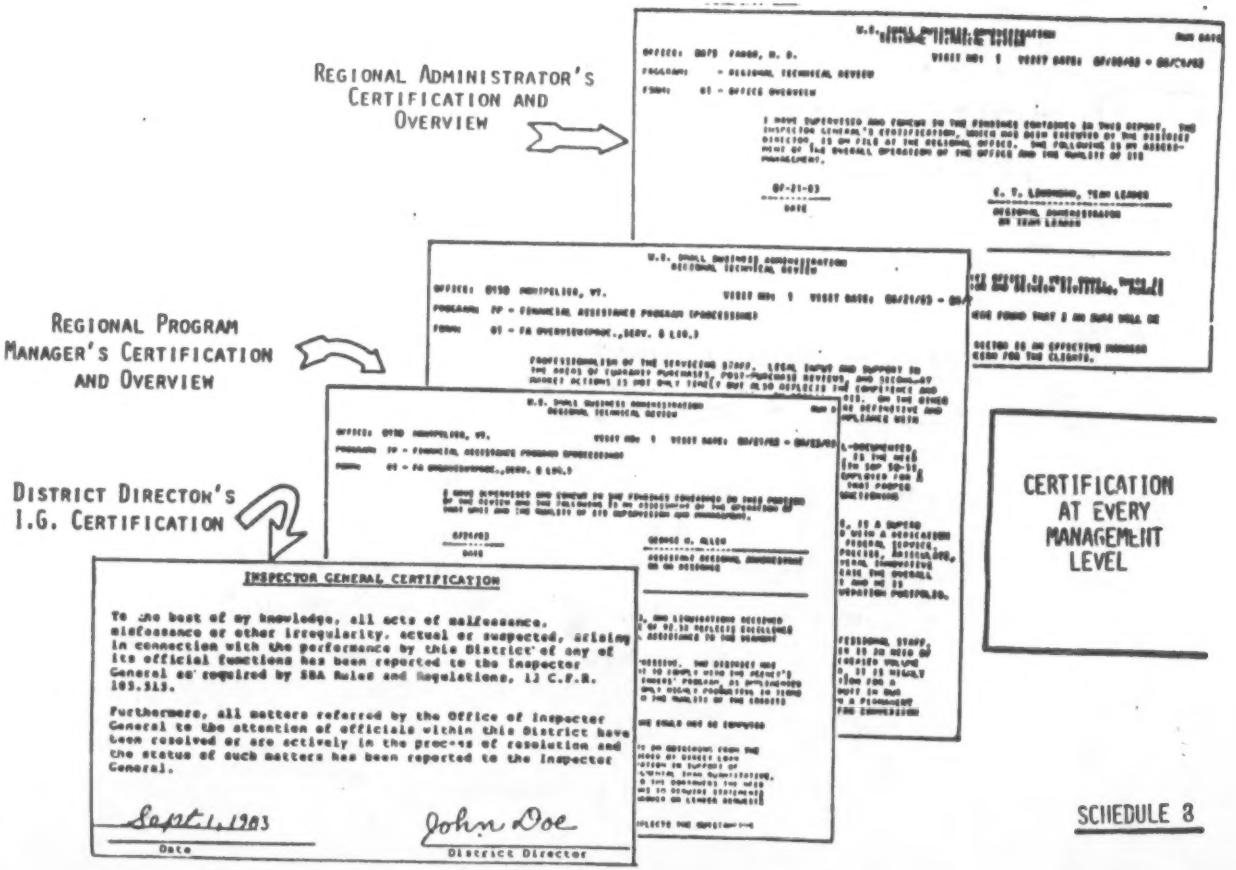
CICR SYSTEM

- o EVALUATES IMPLEMENTATION OF INTERNAL CONTROLS
- o IDENTIFIES CONTROLS NEEDING STRENGTHENING OR STREAMLINING
- o RECOMMENDS SPECIFIC ACTIONS TO IMPROVE INTERNAL CONTROLS AND THEIR IMPLEMENTATION
- o DISTRICT OFFICES HAVE 10 DAYS TO ENTER PROPOSED CORRECTIONS IN SYSTEM

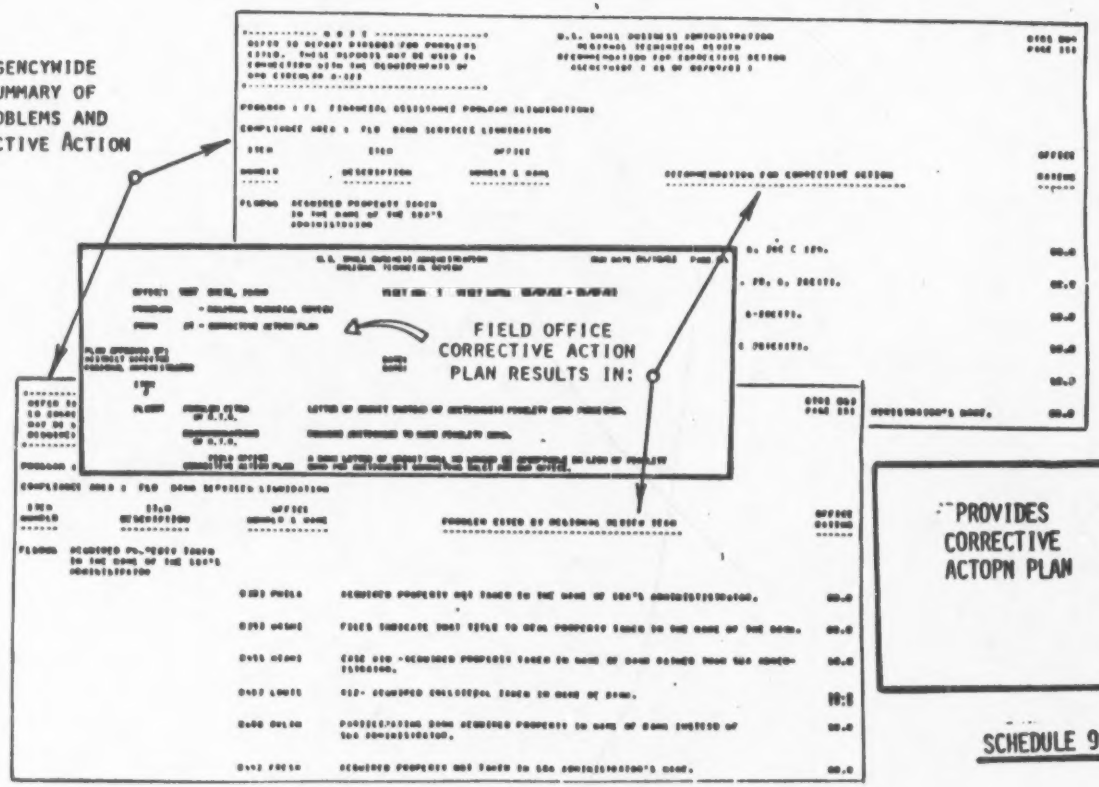
FOR EVERY DEFICIENT ITEM


U.S. SMALL BUSINESS ADMINISTRATION
REGIONAL TECHNICAL REVIEW
RUN DATE 03/03/03
OFFICE: 0663 ALBUQUERQUE, N. M.
VISIT NO: 1 VISIT DATE: 01/10/03 - 03/02/03
PROGRAM: - REGIONAL TECHNICAL REVIEW
FORM: A2 - CORRECTIVE ACTION PLAN
PLAN APPROVED BY:
DISTRICT DIRECTOR
DATE:
REGIONAL ADMINISTRATOR
DATE:
ITEM #
ACTION
PROBLEM CITED BY R.T.R.
A/VERAGE MONTHLY DISBURSEMENTS FOR PAST SIX MONTHS TIMES TWO SHOULD APPROXIMATE THE IMPREST FUND LEVEL. OUR REVIEW SHOWED A NEED FOR $1539.16 WITH A LEVEL OF $1234.00.
RECOMMENDATIONS OF R.T.R.
IF THIS LEVEL OF EXPENDITURE IS TO CONTINUE, RECOMMEND EFFORTS BE MADE TO INCREASE THE IMPREST FUND LEVEL TO $1560.00 IN ORDER TO MEET THIS NEED. SOP 20 05 PARA 9A.
FIELD OFFICE CORRECTIVE ACTION P.AN
SOP 20 05 HAS BEEN REVIEWED AND A MEMO WRITTEN TO THE COLLATERAL CASHIER REQUESTING A STUDY OF IMPREST FUND EXPENDITURES OVER THE LAST SIX MONTHS AND THE NEXT SIX MONTHS TO EVALUATE THE NEED FOR INCREASED AMOUNT IN FUND.

SCHEDULE 7


REGIONAL ADMINISTRATOR'S CERTIFICATION AND OVERVIEW
REGIONAL PROGRAM MANAGER'S CERTIFICATION AND OVERVIEW
DISTRICT DIRECTON'S I.G. CERTIFICATION
INSPECTOR GENERAL CERTIFICATION
To the best of my knowledge, all acts of malfeasance, misfeasance or other irregularity, actual or suspected, arising in connection with the performance by this District of any of its official functions has been reported to the Inspector General as required by SBA Rules and Regulations, 13 C.F.R. 105.513.
Furthermore, all matters referred by the Office of Inspector General to the attention of officials within this District have been resolved or are actively in the process of resolution and the status of such matters has been reported to the Inspector General.
Sept. 1, 1983
Date
John Doe
District Director
CERTIFICATION AT EVERY MANAGEMENT LEVEL
SCHEDULE 8

AGENCYWIDE SUMMARY OF PROBLEMS AND CORRECTIVE ACTION



FIELD OFFICE CORRECTIVE ACTION PLAN RESULTS IN:

PROVIDES CORRECTIVE ACTOPN PLAN

SCHEDULE 9